



FY2006

**University of Massachusetts
Operating Budget**

T05-049

INTRODUCTION

The fiscal year 2006 Operating Budget format has changed from the long-standing cash based format to a modified accrual based budget report. This new reporting format better reflects the “view” of information that the Board of Trustees has requested and it is consistent with the audited financial statement format and the annual financial indicator reporting model. The report replaces the Preliminary Operating Budget that has been presented to the Board during the summer meeting in recent years.

As with the GASB 34 & 35 changes to the financial statements the difficulties of the transformation process are significant and the fiscal year 2006 report should be considered with this in mind. The new reporting format will be refined over a number of reporting cycles.

This executive summary highlights the overall revenue and expense activity for the University based on operating budget statements formatted similarly to the standard Combined Statements of Revenues and Expenses as contained in the University’s annual financial statements. FY2004 actual data are provided from the audited statements and are compared to projected figures for the fiscal year just completed (FY2005)¹ and estimates proposed for the fiscal year begun July 1, 2005 (FY2006). The information does not include data for the University’s related organizations (e.g. the Foundation, Building Authority and WCCC).

The Operating Budget provides the University with a general plan for the year by outlining University priorities, resources and planned use of funds. The document shows “the bottom line” as well as provides high-level summary and trend information about employee counts.

This summary describes general budget trends and important issues for FY 2006. The University Summary tables present aggregated revenues, expenditures, and personnel data for the five campuses, the Donahue Institute for Governmental Services, and the system administration.

Campus budgets are prepared based on parameters established by the President’s Office, and are shaped by individual campus priorities and plans. Campus budget plans are a reflection of each campus’ unique identity and priorities, but they also have basic similarities and evidence common themes: balancing current needs with long-term goals; reallocation and restructuring as tools to meet those objectives; the importance of strengthening fundraising capacity and increasing endowment; working to achieve long-term financial stability as measured by the financial indicators; and efforts to deal with the pressure on budgets from: an unstable economic environment, deferred maintenance and other capital projects, investment in technology, and financial aid.

There are a number of issues of University-wide importance that directly impact the FY2006 operating budget. The most significant challenges relate to stabilizing the enterprise and regaining momentum in the wake of the dramatic reductions in state appropriations as well as continuing the aggressive capital investment program. Many issues such as financial aid, expanding fundraising capacity, and performance measurement are ongoing activities of continuous importance to the Board of Trustees and University leadership that impact the budget planning each year. In general there are a number of factors that influence the development of the operating budget each year including:

- State support
- Student charges
- Enrollments
- Wage increases/collective bargaining
- Inflation and energy costs
- Debt Service in support of University’s capital investment program
- Non-operating revenues generated from grant, contract and auxiliary activities.

¹ The final FY2005 audited financial statements will be completed in the Fall and presented to the Board at that time.

These key factors serve as the foundation to budget planning for the University. The level of state support, the impact of collectively bargained wage increases, the ability of student fee supported activities to meet inflationary pressures and all designated and restricted funds determine the limits of program expansion, new initiatives and strategic investments as well as the ability of the University to meet its core mission and ongoing operational needs.

There are also a number of critical concerns that are further challenging each campus and have real immediate term impact on the operating budget as well as long term implications for the University including:

- Replacing faculty and staff lost to early retirement in vital academic and support areas
- Moving forward with the University’s Capital Program
- Implementation and upgrades of administrative systems
- Maintaining the long-term financial viability of the University (revenue enhancement and expenditure control activities).

FY 2006 OPERATING BUDGET SUMMARY

The total University budget estimates a decrease in both revenues and expenditures in fiscal year 2006 from the previous fiscal year (FY2005). These year-to-year reductions are driven primarily by the realization of significant one-time Medical School spikes in Commonwealth Medicine, public service and intergovernmental transfer revenues (and expenses) in FY2005. Excluding the Medical School, the University’s FY2006 revenues and expenses are estimated to increase 2.6% and 3.1% respectively with a projected operating deficit of \$5.7 million or -0.4% of all revenues. Including the Medical School, the operating deficit is an estimated \$98.9 million or a -4.9% operating margin (including \$107.4 million of depreciation expense).

The University’s revenues and expenditures are projected to exceed \$1.925 billion and \$1.945 billion respectively in FY2006.

Total Budgeted University Revenues & Expenditures							
(\$ Shown in Millions)	Actual	Projected	Budgeted	FY05-06		FY04-06	
	FY 2004	FY2005	FY2006	1-yr. change	2-yr. change		
Revenues*	\$1,645.8	\$2,023.3	\$1,925.8	(\$97.5)	-4.8%	\$280.0	17.0%
Expenditures**	\$1,586.3	\$1,957.3	\$1,945.0	(\$12.3)	-0.6%	\$358.7	22.6%
Operating Surplus/(Deficit)	\$59.5	\$66.0	(\$19.2)				
Operating Margin	3.6%	3.3%	-1.0%				
Not Including Medical School							
Revenues*	\$1,127.9	\$1,253.7	\$1,287.7	\$34.0	2.7%	\$159.8	14.2%
Expenditures**	\$1,111.3	\$1,253.1	\$1,291.7	\$38.6	3.1%	\$180.4	16.2%
Operating Surplus/(Deficit)	\$16.6	\$0.6	(\$4.0)				
Operating Margin	1.5%	0.0%	-0.3%				

*Revenues include: Total Operating Revenues, State and Federal Appropriations and Gift Income.

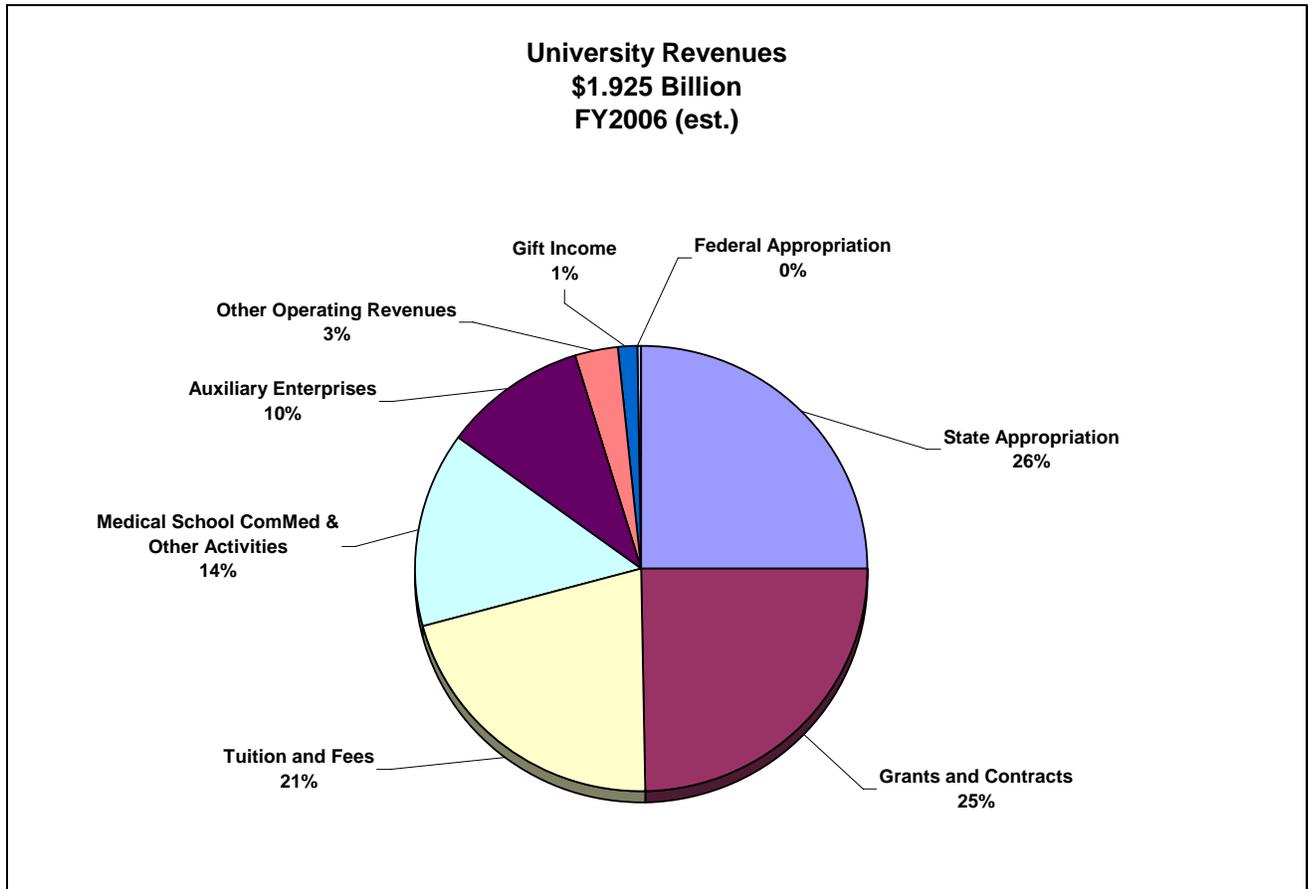
**Expenditures include: Total Operating Expenditures, Interest on Indebtedness and Depreciation expense.

The following sections and Table 1 present budgeted revenue and expense information spanning three fiscal years for consolidated University operations. Table 2 presents the estimated FY2006 operating budget for each of the campuses and central administration.

Revenues

Total FY2006 revenues are budgeted at \$1.925 billion, a -4.8% decrease from FY2005 of \$97.5 million. The most significant change in revenue is attributed to the one-time Medical School spike in revenues of \$166 million which inflates the FY2005 bottom-line. Other decreases in revenue projected for FY2006 include a \$2.3 million reduction in investment income and estimated \$4.1 million decrease in state capital appropriations.

The following chart displays budgeted revenues as a percent of total revenues for FY 2006.



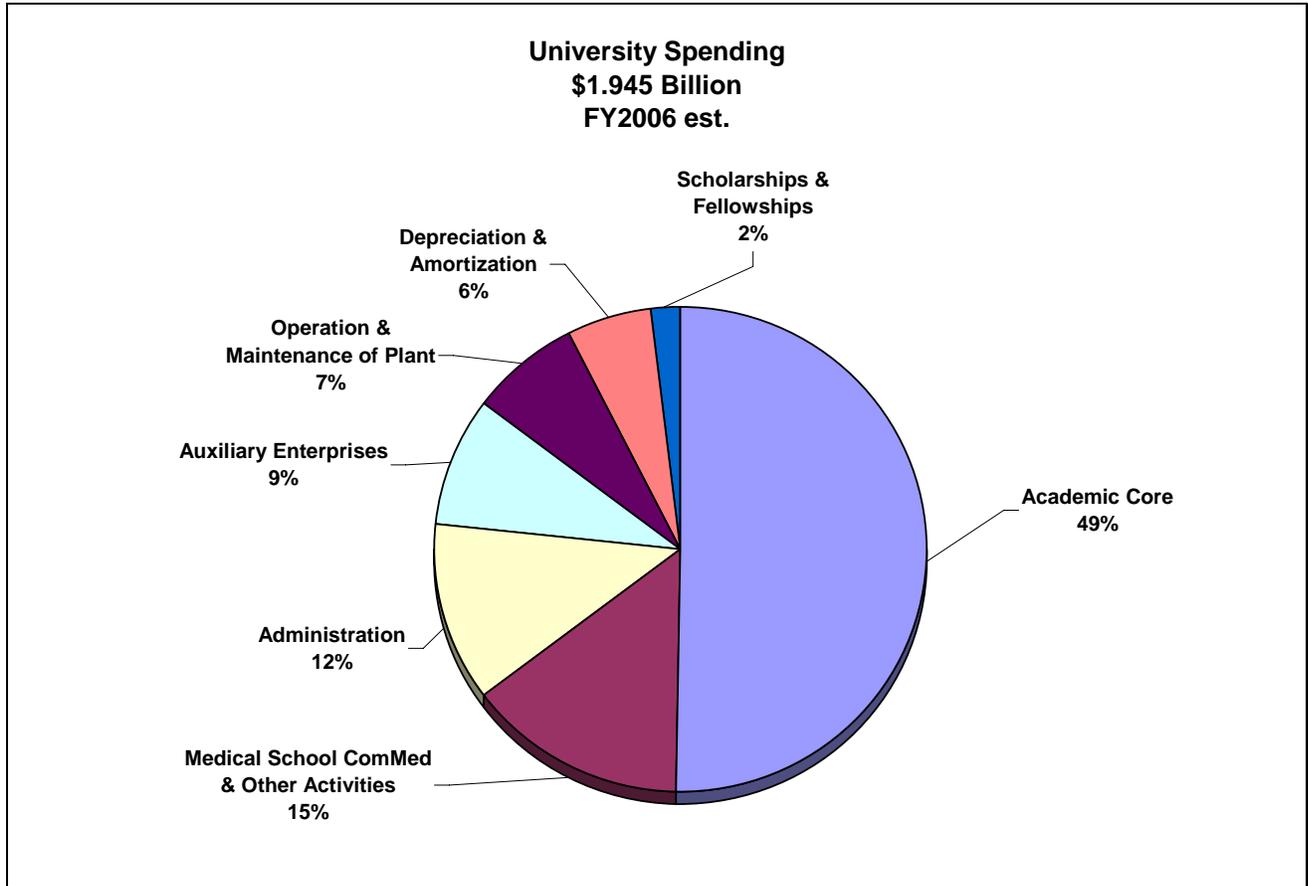
The **state appropriation** represents 26% of all University revenues and is expected to decrease by approximately \$1.7 million from FY2005 levels. On a budgetary (or cash) basis the base state appropriation to the University increased more than 4.0% or \$16 million over FY2005 appropriation levels. However, the year-to-year change is reduced because the FY2005 numbers included a one-time state appropriation for previously unfunded collective bargaining costs and funding for the state endowment incentive program.

Grant and contract revenues represent 25% of all revenues and are projected to increase 7.6% or \$33.1 million over FY2005 to \$470.9 million.

Tuition and fee revenues represent another 21% of University revenues and are projected to increase 3.0% over last fiscal year. This is consistent with the student charge votes of the Board of Trustees for FY2006 that limited the overall increase in tuition and fees to levels no greater than inflation.

Expenditures

University expenditures fall into three main categories: Educational and General, Auxiliary Enterprises, and Other Expenditures which represents the Medical School's Commonwealth Medicine and independent public service activities. The following chart displays FY2006 spending by these categories. Table 1 provides additional detail on University spending for FY2004-FY2006.



Total University expenditures for FY2006 are estimated at \$1.945 billion or roughly \$12 million less than last year's spending level. However, as with revenue estimates, the Medical School's one-time FY2005 spike in activity distorts the overall year-to-year change by more than \$98 million.

The Educational and General budget (E&G) encompasses the major instructional and research activities of the University and related support services and represents 76% of all spending. The academic core described in the chart above includes spending on instruction, research, public service and academic support activities and represents 49% of all spending. Financial aid, plant operations and maintenance, administration and depreciation expenses represent the remaining categories within E&G. (These categories are broken out in the chart above).

The largest E&G increases in FY2006 are projected for: scholarships (+10.5%), institutional support (+8.7%) and research (+8.4%).

Auxiliary Enterprises are self-supporting operations critical to university operations yet independent of the general education mission (9% of all spending activity). This category includes dining and residence halls, parking facilities, and student health services. Auxiliary expenditures are projected to increase by nearly \$11 million or 7% over last year.

Employee Trends

It is projected that for FY2006 there will be 633.4 fewer state funded full-time equivalent (FTE) employees at the University than there were in FY2002 (not including the Medical School). Early retirements and the layoffs and forced vacancies required by cuts in state support caused this dramatic change. A portion of these employees – particularly faculty – were shifted to non-state general operating sources of revenue to maintain programs and services. However since fringe benefits for state funded employees are covered by the Commonwealth, every position funded by institutional funds requires that the University absorb these fringe costs which increase the employee costs by 28%.

Each of the campuses are rebuilding their faculty ranks in key program areas with approximately 145 new faculty hires anticipated in AY2005-2006.

FY 2007 AND BEYOND

The University continues to look for ways to further improve its financial condition and performance. The current economic environment indicates a future of slow growth at best in the state appropriation and continued pressure on University resources to maintain and improve its core mission activities while addressing its important capital needs and investing in the research enterprise.

Therefore the University must continue to aggressively seek revenues from non-state sources and continue efforts to reduce and reallocate spending to further the teaching, research and public service mission.

Tables 1 and 2 provide additional detail on the FY2006 operating budget as well as information for FY2004 and FY2005. Table 3 summarizes the change in full-time equivalent (FTE) employees projected for FY2006.

Table 1
University of Massachusetts
FY2006 Operating Budget Statement of Revenues and Expenses
(in thousands of dollars)

	FY2004	FY2005	FY2006	FY2005 to FY2006		FY2004 to FY2006	
	University June 30, 2004	Projected University June 30, 2005	Estimated University June 30, 2006	1-yr. change		2-yr. change	
REVENUES							
Operating Revenues							
Tuition and Fees (net of scholarship allowances)	\$361,762	\$389,797	\$402,748	\$12,951	3.3%	40,986	11.3%
Federal Grants and Contracts	277,166	302,527	329,492	26,965	8.9%	52,326	18.9%
State Grants and Contracts	53,788	55,528	57,200	1,671	3.0%	3,412	6.3%
Local Grants and Contracts	3,123	3,116	3,020	(97)	-3.1%	(103)	-3.3%
Private Grants and Contracts	67,673	76,570	81,165	4,595	6.0%	13,492	19.9%
Sales & Service, Educational	15,978	15,112	17,364	2,252	14.9%	1,386	8.7%
Auxiliary Enterprises	163,894	179,157	196,293	17,136	9.6%	32,399	19.8%
Other Operating Revenues:							
Sales & Service, Independent Operations	61,245	66,163	64,291	(1,872)		3,046	5.0%
Sales & Service, Public Service Activities	184,028	401,802	206,081	(195,721)	-48.7%	22,053	12.0%
Other	35,362	30,024	60,362	30,338	101.0%	25,000	70.7%
Total Operating Revenues	1,224,019	1,519,797	1,418,014	(101,783)	-6.7%	193,995	15.8%
EXPENSES							
Operating Expenses							
<i>Educational and General</i>							
Instruction	401,416	465,152	461,440	(\$3,712)	-0.8%	60,024	15.0%
Research	284,425	312,333	338,693	26,360	8.4%	54,268	19.1%
Public Service	57,070	55,305	56,884	1,580	2.9%	(186)	-0.3%
Academic Support	97,559	98,776	106,071	7,295	7.4%	8,512	8.7%
Student Services	70,962	76,297	76,136	(161)	-0.2%	5,174	7.3%
Institutional Support	114,324	139,649	148,288	8,639	6.2%	33,964	29.7%
Operation and Maintenance of Plant	103,736	135,683	140,495	4,812	3.5%	36,759	35.4%
Depreciation and Amortization	101,465	101,964	107,418	5,454	5.3%	5,953	5.9%
Scholarships and Fellowships	26,792	33,601	37,116	3,516	10.5%	10,324	38.5%
<i>Auxiliary Enterprises</i>	124,127	154,241	165,150	10,909	7.1%	41,023	33.0%
<i>Other Expenditures</i>							
Independent Operations	27,288	37,987	57,706	19,719	51.9%	30,418	111.5%
Public Service Activities	146,887	322,608	224,119	(98,489)	-30.5%	77,232	52.6%
Total Operating Expenses	1,556,051	1,933,595	1,919,515	(14,080)	-0.7%	363,464	23.4%
Operating Loss	(332,032)	(413,798)	(501,500)	(87,702)	21.2%	(169,468)	51.0%
NONOPERATING REVENUES/(EXPENSES)							
Federal Appropriations	6,849	7,220	7,292	72	1.0%	443	6.5%
State Appropriations	398,154	477,967	476,269	(1,698)	-0.4%	78,115	19.6%
Gifts	16,731	18,291	24,199	5,908	32.3%	7,468	44.6%
Investment Income	26,806	28,529	26,269	(2,260)	-7.9%	(537)	-2.0%
Endowment Income	1,047	1,449	3,159	1,710	118.0%	2,112	201.7%
Interest on Indebtedness	(30,230)	(23,706)	(25,487)	(1,781)	7.5%	4,743	-15.7%
Other Nonoperating Income	13,373	6,303	6,866	563	8.9%	(6,507)	-48.7%
Net Nonoperating Revenues	432,730	516,053	518,567	2,513	0.5%	85,837	19.8%
Income/(Loss) Before Other Revenues, Expenses, Gains, and Losses	100,698	102,255	17,066	(85,189)	-83.3%	(83,632)	-83.1%
Capital Appropriations	19,135	23,929	19,800	(4,129)	-17.3%	665	3.5%
University Related Organization Transactions	676	220	220	-	0.0%	(456)	-67.5%
Disposal of Plant Facilities	(10,206)	(5,075)	(5,060)	15	-0.3%	5,146	-50.4%
Other Additions/Deductions	2,813	0	0			(2,813)	-100.0%
Total Other Revenues, Expenses, Gains, and Losses	12,418	19,074	14,960	(4,114)	-21.6%	2,542	20.5%
Total Increase in Net Assets	113,116	121,329	32,026	(89,303)	-73.6%	(81,090)	-71.7%
UNIVERSITY TOTALS ONLY. DOES NOT INCLUDE RELATED ORGANIZATIONS							
Operating Margin							
Total Operating Revenues	\$1,224,019	\$1,519,797	\$1,418,014	(101,783)	-6.7%	193,995	15.8%
Federal Approp.	\$6,849	\$7,220	\$7,292	72	1.0%	443	6.5%
State Approp.	\$398,154	\$477,967	\$476,269	(1,698)	-0.4%	78,115	19.6%
Gifts	\$16,731	\$18,291	\$24,199	5,908	32.3%	7,468	44.6%
Total	\$1,645,753	\$2,023,275	\$1,925,774	(97,501)	-4.8%	280,021	17.0%
Total Operating Expenses	\$1,556,051	\$1,933,595	\$1,919,515	(14,080)	-0.7%	363,464	23.4%
Interest on Indebtedness	\$30,230	\$23,706	\$25,487	1,781	7.5%	(4,743)	-15.7%
Total	\$1,586,281	\$1,957,301	\$1,945,002	(12,299)	-0.6%	358,721	22.6%
Operating Surplus/Deficit	\$59,472	\$65,973	(\$19,228)				
Operating Margin (surplus as pct. of revenues)	3.6%	3.3%	-1.0%				

	Amherst Campus	Boston Campus	Dartmouth Campus	Lowell Campus	Worcester Campus	Central Admin.	University Total Not Incl. Related Orgs.	NOT INCL. Worcester
REVENUES								
Operating Revenues								
Tuition and Fees (net of scholarship allowances)	\$191,359	79,703	\$52,604	\$71,342	\$6,222	\$1,519	\$402,748	\$396,526
Federal Grants and Contracts	99,227	24,605	19,478	24,250	158,650	3,281	\$329,492	\$170,842
State Grants and Contracts	13,251	5,473	4,398	1,900	29,996	2,182	\$57,200	\$27,204
Local Grants and Contracts	627	1,227	34	550	123	459	\$3,020	\$2,897
Private Grants and Contracts	17,328	7,871	2,198	6,000	44,893	2,875	\$81,165	\$36,272
Sales & Service, Educational	6,551	1,665	32	950	6,577	1,589	\$17,364	\$10,787
Auxiliary Enterprises	120,114	8,946	29,336	7,000	30,897		\$196,293	\$165,396
Allocation from Campuses						27,858	\$0	\$0
Other Operating Revenues:								
Sales & Service, Independent Operations					64,291		\$64,291	\$0
Sales & Service, Public Service Activities					206,081		\$206,081	\$0
Other	8,539	588	3,225	1,100	45,632	1,277	\$60,362	\$14,730
Total Operating Revenues	456,996	130,078	111,304	113,092	593,362	41,040	1,418,014	\$824,652
EXPENSES								
Operating Expenses								
<i>Educational and General</i>								
Instruction	218,805	75,957	46,042	68,261	41,364	11,011	461,440	\$420,076
Research	98,854	15,663	18,251	28,667	175,640	1,617	338,693	\$163,053
Public Service	13,647	7,720	894	3,055	30,352	1,217	56,884	\$26,532
Academic Support	37,045	27,309	14,271	17,200	10,243	3	106,071	\$95,828
Student Services	36,205	14,740	6,953	14,800	3,438	0	76,136	\$72,698
Institutional Support	48,922	22,041	19,442	20,300	29,234	36,206	148,288	\$119,054
Operation and Maintenance of Plant	59,293	14,837	15,934	15,250	34,800	381	140,495	\$105,695
Depreciation and Amortization	42,678	19,389	11,317	12,926	18,714	2,394	107,418	\$88,704
Scholarships and Fellowships	15,216	12,659	4,610	4,400	231		37,116	\$36,885
<i>Auxiliary Enterprises</i>	101,943	8,287	22,240	5,650	27,029		165,150	\$138,121
<i>Other Expenditures</i>								
Independent Operations					57,706		57,706	\$0
Public Service Activities					224,119		224,119	\$0
Total Operating Expenses	672,608	218,602	159,954	190,509	652,870	52,829	1,919,515	\$1,266,645
Operating Income/(Loss)	(215,613)	(88,524)	(48,649)	(77,417)	(59,508)	(11,789)	(501,500)	(\$441,992)
NONOPERATING REVENUES/(EXPENSES)								
Federal Appropriations	7,292						7,292	\$7,292
State Appropriations	222,234	84,612	47,541	76,100	40,255	5,527	476,269	\$436,014
Gifts	10,622	4,322	2,400	2,330	4,500	25	24,199	\$19,699
Investment Return	17,300	2,152	1,100	1,750	2,500	1,467	26,269	\$23,769
Endowment Return	700	1,524	800	100	35	0	3,159	\$3,124
Interest on Indebtedness	(13,900)	(3,884)	(3,521)	(3,011)	(445)	(726)	(25,487)	(\$25,042)
Other Nonoperating Income	1,000	1,327	435	250	3,454	400	6,866	\$3,412
Net Nonoperating Revenues	245,248	90,053	48,755	77,519	50,299	6,692	518,567	\$468,268
Income/(Loss) Before Other Revenues, Expenses, Gains, and Losses	29,635	1,529	106	102	(9,209)	(5,097)	17,066	\$26,275
Capital Appropriations	10,000	1,900	4,300	3,600		0	19,800	\$19,800
University Related Organization Transactions	220	0				0	220	\$220
Disposal of Plant Facilities	(2,411)	0	(1,250)	(1,400)		1	(5,060)	(\$5,060)
Other Additions/Deductions	500	1,291	1,750	250		1,500	5,291	\$5,291
Total Other Revenues, Expenses, Gains, and Losses	8,309	3,191	4,800	2,450	0	1,501	20,251	\$20,251
Total Increase/(Decrease) in Net Assets	37,944	4,720	4,906	2,552	(9,209)	(3,596)	37,317	\$46,526
Operating Margin								
Total Operating Revenues	\$456,996	\$130,078	\$111,304	\$113,092	\$593,362	\$41,040	\$1,418,014	\$824,652
Federal Approp	\$7,292	\$0	\$0	\$0	\$0	\$0	\$7,292	\$7,292
State Approp.	\$222,234	\$84,612	\$47,541	\$76,100	\$40,255	\$5,527	\$476,269	\$436,014
Gifts	\$10,622	\$4,322	\$2,400	\$2,330	\$4,500	\$25	\$24,199	\$19,699
Total	\$697,144	\$219,012	\$161,245	\$191,522	\$638,117	\$46,592	\$1,925,774	\$1,287,657
Total Operating Expenses	\$672,608	\$218,602	\$159,954	\$190,509	\$652,870	\$52,829	\$1,919,515	\$1,266,645
Interest on Indebtedness	\$13,900	\$3,884	\$3,521	\$3,011	\$445	\$726	\$25,487	\$25,042
Total	\$686,508	\$222,486	\$163,474	\$193,520	\$653,315	\$53,555	\$1,945,002	\$1,291,687
Operating Surplus/Deficit	\$10,635	(\$3,474)	(\$2,229)	(\$1,998)	(\$15,198)	(\$6,964)	(\$19,228)	(\$4,030)
Operating Margin (surplus as pct. of revenues)	1.5%	-1.6%	-1.4%	-1.0%	-2.4%	-14.9%	-1.0%	-0.3%

Table 3
University of Massachusetts
Fiscal Year 2006 Operating Budget Statement
SUMMARY OF FULL-TIME EQUIVALENT (FTE) EMPLOYEES *

	Actual FTE's Fall 2003 (FY 2004)	Actual FTE's Fall 2004 (FY 2005)	Projected FTE's Fall 2005 (FY 2006)	FTE Change	% Change
UNRESTRICTED/DESIGNATED FUNDS					
STATE FUNDED POSITIONS					
Faculty	2,305.6	2,346.4	2,431.4	85.0	3.6%
Professional Staff	1,944.8	2,030.6	2,167.0	136.5	6.7%
Classified Staff	2,093.2	1,940.1	2,032.0	91.8	4.7%
Subtotal, State Funded	6,343.5	6,317.0	6,630.4	313.4	5.0%
NON-STATE FUNDED POSITIONS					
Faculty	531.5	633.2	616.4	(16.8)	-2.7%
Professional Staff	1,559.3	1,720.2	1,798.4	78.2	4.5%
Classified Staff	1,924.2	2,158.4	2,137.4	(21.0)	-1.0%
Subtotal, Non-State Funded	4,014.9	4,511.8	4,552.2	40.4	0.9%
Total Unrestricted/Designated	10,358.5	10,828.8	11,182.5	353.7	3.3%
RESTRICTED FUNDS					
GRANT FUNDED POSITIONS					
Faculty	371.6	364.2	373.4	9.2	2.5%
Professional Staff	1,169.9	1,181.5	1,225.2	43.7	3.7%
Classified Staff	255.9	240.1	253.4	13.3	5.5%
Subtotal, Grant Funded	1,797.3	1,785.8	1,852.0	66.2	3.7%
OTHER RESTRICTED POSITIONS					
Faculty	8.6	3.5	3.5	0.0	0.0%
Professional Staff	49.5	47.2	40.2	(7.0)	-14.8%
Classified Staff	44.0	50.0	36.0	(14.0)	-28.0%
Subtotal, Other Restricted Funds	102.0	100.6	79.6	(21.0)	-20.9%
Total Restricted	1,899.3	1,886.4	1,931.6	45.2	2.4%
TOTAL UNRESTRICTED AND RESTRICTED	12,257.8	12,715.2	13,114.2	398.9	3.1%

* Includes Full and Part-time employees; student and other hourly employees not included. All employee counts from fall census data (Oct.).

**University of Massachusetts Amherst
FY2006 Operating Budget Narrative**

The University of Massachusetts Amherst campus is submitting for approval an FY06 budget totaling \$673 million. The budget includes significant investments in new faculty and infrastructure crucial to maintaining this campus as a nationally competitive public research university. The state legislature has responded positively to the need to restore faculty strength on the Amherst campus by providing funding to hire nearly 60 new faculty. This incremental support will need to be sustained to reach the campus' goal of adding 250 tenure track positions in the next three to five years. As faculty numbers are being replenished, space is being renovated and new buildings constructed. Debt payments will rise by \$6.0 million in FY06 as work escalates on several major new projects: the first student dormitory in twenty-five years, a large teaching auditorium, a heating plant, an integrated science building, a studio arts building, and a major renovation of an historic building to consolidate the nursing program. Over 85% of the cost of the \$566 million capital plan is being borne by the Amherst campus.

The budget is presented for the first time in a modified accrual based format to comply with a Board request that it be consistent with the financial indicator reporting model as well as the audited financial statements.

Revenue

The FY06 state appropriation is anticipated to be \$7.5 million greater than the FY05 allocation and these incremental funds will be used to hire and support new faculty. We also anticipate an additional \$3.1 million will be provided to cover the estimated annualized cost of negotiated collective bargaining agreements. The state's allocation to Commonwealth College has doubled in FY06 to \$3.4 million. After rising by an average of 13% over the last two years for in-state students, tuition and mandatory student fee increases are growing by only 3% in FY06. Interest income will total \$4.1 million in FY06 which is \$860,000 higher than in FY05 but \$1.7 million less than FY04 interest revenue.

Direct spending on grants and contracts is anticipated to increase by five percent in FY06 with a corresponding rise in research overhead income. Private gift revenue is also expected to increase five percent. This source is expected to grow more rapidly in succeeding years when a new capital campaign commences.

Expenditures

Approximately twenty new faculty positions funded from non-state funds will be added this academic year. Searches will be conducted throughout FY06 to recruit faculty funded from the increased state support. This year's allocation will be used in anticipation of their arrival to fund future start-up costs, make library acquisitions and upgrade teaching and research space. Growth in non-state funds such as the Curriculum Fee will be used to fund other instructional initiatives including instructional technology upgrades to classrooms and the creation of a Learning Commons in the library. New funding has also been approved for key personnel to support the implementation of the capital plan and to increase the custodial workforce.

Additional funding has been included in the financial aid budget to ensure that scholarship support keeps pace with rising student fees. Similarly, Athletics has received incremental funds to cover the overall increases in scholarships as a result of tuition and fee increases. Utility costs will rise by less than five percent in FY06 as efficiencies being implemented through the energy savings program moderate expense increases. Debt payments will total \$31.4 million in FY06 and an additional \$20 million will be transferred from the operating budget to fund major capital repairs.

Future Plans

The campus will continue to advocate for state funding to fully implement the Amherst 250 plan. It will also focus on increasing revenue to the campus from all sources while limiting student fee increases to no more than inflation. Governor Romney's proposal to use \$80 million of the state surplus on Amherst construction projects substantially assists our efforts to reduce the campus' \$1 billion deferred maintenance backlog.

Finally, the campus is committed to increasing its undergraduate population over the next five years, with the majority of the growth coming out-of-state students. As noted above, the capital plan includes funding for new student housing and an auditorium.

Conclusion

The significant increase in state support in FY06 will enable the campus to begin implementing the Amherst 250 plan. From its own growing revenue base the campus is addressing its critical infrastructure needs through the implementation of its capital plan. Much more needs to be done and thus continued support from the state and other campus constituents is required to carry on with the progress of restoring our faculty numbers and renovating and renewing our physical plant.

Table 1
University of Massachusetts
Amherst Campus
Fiscal Year 2006 Operating Budget Statement
(in thousands of dollars)

	FY 04 Actuals	FY 05 Projected Budget-Accrual/Adjusted Basis	FY2006 Budgeted		1-yr. change	2-yr. change
			FY 06 Budget-Accrual Basis			
REVENUES						
Operating Revenues						
Tuition and Fees	220,544	236,344	242,523	6,179	2.6%	21,979 10.0%
Scholarship allowance	(44,779)	(47,010)	(51,164)	(4,154)	8.8%	(6,385) 14.3%
Tuition and Fees (net of scholarship allowances)	175,765	189,334	191,359	2,025	1.1%	15,594 8.9%
Federal Grants and Contracts	92,141	94,502	99,227	4,725	5.0%	7,086 7.7%
State Grants and Contracts	11,839	13,251	13,251	-	0.0%	1,412 11.9%
Local Grants and Contracts	664	627	627	(0)	-0.1%	(37) -5.6%
Private Grants and Contracts	15,048	17,328	17,328	(0)	0.0%	2,280 15.1%
Sales & Service, Educational	5,640	5,377	6,551	1,174	21.8%	911 16.2%
Auxiliary Enterprises	103,382	110,401	120,114	9,713	8.8%	16,732 16.2%
Other Operating Revenues:						
Sales & Service, Independent Operations						
Sales & Service, Public Service Activities						
Other	7,282	7,568	8,539	971	12.8%	1,257 17.3%
Total Operating Revenues	411,761	438,388	456,996	18,608	4.2%	45,235 11.0%
EXPENSES						
Operating Expenses						
Educational and General						
Instruction	185,139	218,879	218,805	(74)	0.0%	33,666 18.2%
Research	92,561	93,794	98,854	5,060	5.4%	6,293 6.8%
Public Service	14,844	12,679	13,647	968	7.6%	(1,197) -8.1%
Academic Support	41,014	35,695	37,045	1,350	3.8%	(3,969) -9.7%
Student Services	36,794	36,701	36,205	(496)	-1.4%	(589) -1.6%
Institutional Support	41,726	46,612	48,922	2,310	5.0%	7,196 17.2%
Operation and Maintenance of Plant	46,071	54,567	59,293	4,726	8.7%	13,222 28.7%
Depreciation and Amortization	38,786	40,140	42,678	2,538	6.3%	3,892 10.0%
Scholarships and Fellowships	9,851	13,378	15,216	1,838	13.7%	5,365 54.5%
Auxiliary Enterprises	82,257	99,199	101,943	2,744	2.8%	19,686 23.9%
Other Expenditures						
Independent Operations						
Public Service Activities						
Total Operating Expenses	589,043	651,644	672,608	20,964	3.2%	83,565 14.2%
Operating Income/(Loss)	(177,282)	(213,256)	(215,613)	(2,357)	1.1%	(38,331) 21.6%
NONOPERATING REVENUES/(EXPENSES)						
Federal Appropriations	6,849	7,220	7,292	72	1.0%	443 6.5%
State Appropriations	187,294	223,957	222,234	(1,723)	-0.8%	34,940 18.7%
Gifts	9,123	10,161	10,622	461	4.5%	1,499 16.4%
Investment Return	16,620	20,570	17,300	(3,270)	-15.9%	680 4.1%
Endowment Return	181	700	700	-	0.0%	519 286.7%
Interest on Indebtedness	(10,506)	(12,293)	(13,900)	(1,607)	13.1%	(3,394) 32.3%
Other Nonoperating Income	1,228	1,000	1,000	-	0.0%	(228) -18.6%
Net Nonoperating Revenues	210,789	251,315	245,248	(6,067)	-2.4%	34,459 16.3%
Income Before Other Revenues, Expenses, Gains, and Losses	33,507	38,059	29,635	(8,424)	-22.1%	(3,872) -11.6%
Capital Appropriations	9,222	16,538	10,000	(6,538)	-39.5%	778 8.4%
Capital Grants and Contracts	-	-	-	-	-	-
University Related Transactions	676	220	220	-	-	(456) -67.5%
Disposal of Plant Facilities	(3,001)	(2,407)	(2,411)	(4)	0.2%	590 -19.7%
Other Additions/Deductions	212	1,100	500	(600)	-54.5%	288 135.8%
Total Other Revenues, Expenses, Gains & Losses	7,109	15,451	8,309			
Total Increase in Net Assets	40,616	53,510	37,944			
NET ASSETS						
Net Assets at Beginning of Year	446,562	487,178	540,688			
Net Assets at End of Year	487,178	540,688	578,632			

Table 2
University of Massachusetts
Amherst Campus
Fiscal Year 2006 Operating Budget Statement
SUMMARY OF FULL-TIME EQUIVALENT (FTE) EMPLOYEES *

	Actual FTE's Fall 2003 (FY 2004)	Actual FTE's Fall 2004 (FY 2005)	Projected FTE's Fall 2005 (FY 2006)	FTE Change	% Change
UNRESTRICTED/DESIGNATED FUNDS					
STATE FUNDED POSITIONS					
Faculty	1,106.0	1,146.0	1,166.0	20.0	1.7%
Professional Staff	779.0	803.0	816.0	13.0	1.6%
Classified Staff	1,137.0	1,085.0	1,120.0	35.0	3.2%
Subtotal, State Funded	3,022.0	3,034.0	3,102.0	68.0	2.2%
NON-STATE FUNDED POSITIONS					
Faculty	16.0	18.0	19.0	1.0	5.6%
Professional Staff	353.0	339.0	361.0	22.0	6.5%
Classified Staff	824.0	836.0	857.0	21.0	2.5%
Subtotal, Non-State Funded	1,193.0	1,193.0	1,237.0	44.0	3.7%
Total Unrestricted/Designated	4,215.0	4,227.0	4,339.0	112.0	2.6%
RESTRICTED FUNDS					
GRANT FUNDED POSITIONS					
Faculty	48.0	38.0	41.0	3.0	7.9%
Professional Staff	184.0	183.0	182.0	(1.0)	-0.5%
Classified Staff	50.0	45.0	55.0	10.0	22.2%
Subtotal, Grant Funded	282.0	266.0	278.0	12.0	4.5%
OTHER RESTRICTED POSITIONS					
Faculty	8.0	2.0	2.0	0.0	0.0%
Professional Staff	29.0	28.0	21.0	(7.0)	-25.0%
Classified Staff	41.0	45.0	32.0	(13.0)	-28.9%
Subtotal, Other Restricted Funds	78.0	75.0	55.0	(20.0)	-26.7%
Total Restricted	360.0	341.0	333.0	(8.0)	-2.3%
TOTAL UNRESTRICTED AND RESTRICTED	4,575.0	4,568.0	4,672.0	104.0	2.3%

* Includes Full and Part-time employees; student and other hourly employees not included. All employee counts from fall census data (Oct.).

University of Massachusetts Boston
FY2006 Operating Budget Narrative

The University of Massachusetts Boston **Operating Budget** represents a general plan for the year, outlining - the campus priorities, the anticipated revenues, the planned expenditures, and the projected financial outcomes reflected in the Statement of Revenues, Expenses, and Change in Net Assets.

The views reflected in this document represent the FY04 Financial Statements (actuals), the preliminary results from FY05 (data generated before the year/end close), and projected outcome for FY06 based on our campus budget and planning processes.

The Preliminary Operating Budget presents a new and more meaningful way of presenting the information using accrual basis accounting for revenues and expenses, and incorporating all of the fund groups reported on the financial statements. Prior to this year the Operating Budget included only Current Funds.

Initially, the FY06 Preliminary Operating Budget was developed as in past years with the cash basis revenues, expenditures, and transfers, using only the Current Funds. The Loan Funds, the Endowment Funds, the Plant Funds, and the Building Authority were added to reflect the full financial picture. Estimates of the major accrual adjustments were also added in order to produce the Statement of Revenues, Expenses, and Change in Net Assets, that is part of the financial statements.

I. FY2005 REVIEW

In FY05, the campus moved forward with additional resources resulting from an increased state appropriation, the first since FY01 (including the full funding of collective bargaining agreements), and a fee increase of approximately 19% (UNDG Res). With these new resources along with reallocations, we were able to fund over \$10 million of a wide range of new initiatives consistent with our strategic plan. During FY05, the LU888 (the classified employee union) pay increases were funded after a long delay. In March retro pay increases (covering the period July-December, 2004) were released for all bargaining units except LU888. Later in the year the campus received additional funds from the Collective Bargaining Reserve to cover "other unfunded collective bargaining expenses". This final allocation was used to fund the retro pay for the unit classified employees and the non-unit employees. All of these new funds were "bottom line neutral" (funded for expenses incurred), but were very positive for employee moral.

Enrollments experienced a small decrease in FY05 (-5.7% HCT, -3.8% FTE). The decline in enrollments were primarily among part-time and continuing students.

Efforts are now focused on retention, and the overall enrollment levels. See the discussion that follows – FY2006 Priorities.

II. FY2006 STRATEGIC PRIORITIES

The strategic initiative for the University of Massachusetts Boston for FY05, FY06 and the years beyond are in accordance with our **2008 Strategic Plan: Retention, Research, and Reputation**. This document is available in its entirety on the UMass Boston website (click on the department dialogue box on the Homepage).

REPUTATION

- **Strengthen Undergraduate and Graduate Instruction and the Student Educational Experience**
New Faculty

The continuing infusion of new full-time faculty, plus faculty replacements resulting from the recent ERIP (increasing the proportion of full-time faculty) allows us to restructure academic offerings, deploy new faculty to more strategic and/or more highly subscribed academic programs, thus strengthening the academic core. The influx of new-dedicated faculty allows us to continue to strengthen undergraduate and graduate teaching, and will provide an opportunity to expand our campus research activity. The changing nature of our faculty will also allow us to meet the emerging need for innovative and interdisciplinary programs, thereby increasing the reputation of UMass

Boston as a high quality, doctoral granting, and research university. We will be adding thirteen new full-time faculty this fall.

Technology for Instruction

The expansion of technology tools for instruction; the use of advanced technology by faculty; technology enhanced classrooms; wireless Internet access across the campus; student on-line access for enrollment services; and on-line courses of instruction; all are goals for FY06 and the years ahead.

- Enrich the Student Educational Experience

Academic Support, Student Services and Student Life

UMass Boston recognizes the importance of insuring the availability of quality student services to its largely commuting student body, and the importance of these services that strengthen and enrich the students' educational experience and opportunity for success.

University Academic Support, Student Services, and Student Life activities are housed in the Campus Center, now in its second full year of operations. This beautiful and extraordinary new building is now the hub of academic and student support services, revitalized student life on campus, and many community and cultural events.

In the years ahead we will continue our investment in the many ways we support students on campus: academic advising; career services; enrollment services - "one stop" operations; community building activities; and other innovative services that improve the university experience.

ENROLLMENT AND RETENTION

- Financial Aid

UMass Boston is committed to providing sufficient financial aid for our students, particularly in the face of significant tuition and fee increases. We clearly understand the role of financial aid in ensuring access for quality students who would be unable to enroll otherwise. The increased cost has affected our part time enrollment predominantly, which is an important population at UMass Boston. Increasing our financial aid funding will support recruiting of new students and retention of our continuing students.

While we continue to increase annual allocations for financial aid, our students must still rely on loans to meet their financial needs. In FY2005 UMass Boston students received a total of \$ 56.4 mil. in aid from all sources, of this \$ 32.9 mil. (58%) was provided from loans. In FY2006 we will continue to increase aid to students with need, lessening the need to borrow.

- Recruitment and Retention Initiatives

UMass Boston will continue to strengthen our marketing initiatives with major improvements to our web site, a thorough review and update of our advertising plan, and expanded use of technology in recruitment. Improved student services that are integrated and accessible in our new Campus Center, the Campus Center itself, and a revitalized Division of Student Affairs are helping to attract new students. Other facility and infrastructure improvements will enhance the quality of student life and have a positive effect on enrollment.

- Eliminate Barriers, Assure Access, Improve Retention

In addition to increased financial aid, the offices of Academic Support Services, Enrollment Services, and Student Life, all acting in a coordinated effort, are investing in programs of counseling and assistance that reduce the barriers to access for potential new student, and address problems of continued enrollment for matriculated students. In the last two fiscal years, UMass Boston has made priority allocations of over \$2 mil (combined) for increased Financial Aid, Enrollment Services, Campus Center Operations, and Student Life-Community Building.

- Enrollment

Increased financial aid; improvements in student services such as advising, registration, self-service and integrated services; and enhanced student life programming all contribute to a more stable enrollment and student success. Advancing the reputation of UMass Boston with high caliber faculty, strong academic programs, a low student/faculty ratio, important research initiatives, involvement in and support of our community are also essential to our success as a university and our impact on the students and communities we serve.

RESEARCH

- Expand Research and Sponsored Programs

Recognizing that excellence in faculty research, scholarship, and creative activity is one of the distinguishing characteristics of a great university, and a vital part of our contribution to the city and to the Commonwealth, we are committed to expanding significantly research and sponsored programs at UMass Boston. The *UMass Boston 2008 Strategic Plan: Retention, Research, Reputation* includes as a goal the increase of research and sponsored programs from \$30 million to \$50 million by 2008. We will realize this goal in large measure by pursuing significant extramural support from federal agencies for both pure and applied interdisciplinary research programs in our signature profiles areas; namely public policy, environmental science, and health disparities research. At the same time, we will not neglect projects that strengthen the urban mission focus of our university.

- Enhance Research Infrastructure

UMass Boston will continue the process of allocating its resources strategically to assist faculty members to develop complex multidisciplinary research proposals (pre award) and to support sponsored program implementation (post award). We have hired the university's first vice provost for research and a new director of the Office of Research and Sponsored Programs (ORSP) who will identify infrastructure needs that will support the growth of sponsored programs.

In FY2006 we plan to undertake initiatives that further strengthen the Research Infrastructure: (1) increase professional staff to the ORSP to support grant seeking and grant management; (2) move the physical location ORSP to a visible and accessible area making it easier to locate the office and use its services; (3) join with our colleagues throughout UMass, implementing the PeopleSoft grants management software; (4) devote resources to the upgrade of selected research laboratories; (5) create or increase budget pools to provide incentives for the aggressive pursuit of sponsored programs; (6) increase our support for internal grant programs with the expectation they will lead to extramural sponsored programs; (7) leverage resources to fund substantial startup packages for selected new faculty hires; and (8) we develop marketing strategies and focus resources on communications to increase the likelihood of proposals turning into awards.

- Ensure Research Compliance

In order to insure compliance with the laws, rules, regulations, and policies of numerous federal and state agencies with oversight of the research enterprise, we continue to devote resources to strengthen our research administration processes. We have added a compliance coordinator to the ORSP professional staff. Our IRB policies and procedures have been revised and updated, and all PIs must now complete comprehensive training on research with human subjects. Additional efforts undertaken during the past nine months have focused on policies and procedures related to faculty buyout, cost sharing and the related process of effort reporting, conflict of interest, intellectual property confidential disclosures, faculty consulting and external activities, and misconduct in research. We will devote resources to improve our animal care facility to maintain our license and ensure humane care for the animal subjects of research. It is important to note that these compliance efforts entail a remarkable level of cooperation of various department and units within Academic Affairs and Administration and Finance.

- Focus on Economic Development

President Wilson has said that the path to economic development in Massachusetts goes through the research expertise of the UMass campuses. UMass Boston's focus on economic development will entail the launch of a venture center initiative that will not only strengthen the university's

research infrastructure, but also engage faculty and students in innovative partnerships with the business community in Greater Boston and the New England region. The venture center will leverage core research facilities and business development expertise to assist all faculty in all disciplines that wish to turn a promising research concept into a practical business reality through a nurturing incubation process. While Environmental and Health Sciences and Technology (CHIST) is the initial foci of the venture center, other research domains will be found worthy of support and the allocation of resources. In addition, revenue generating analytical and research operations will provide value to tenants and stakeholders, as well as a return on the university's investment through commercialization, entrepreneurship, and licensing of intellectual property.

CAPITAL INVESTMENT AND DEBT SERVICE

- Capital Repairs and Deferred Maintenance

Capital Repairs and Deferred Maintenance will continue to be a major focus in FY06, as we continue to meet the challenge of needed capital improvements and to address deferred maintenance. The \$3.0 million increase for debt service (for a total of \$13.6 million in FY06), and the continuing annual allocation of \$1 million for general capital repairs and improvements, demonstrates our resolve to resolve to preserve these assets.

Our strategic plan has been compiled with focus on Retention, Research and Reputation. A vital element of the strategic plan is to provide our students a quality learning environment, which requires us to address infrastructure needs, for example, the structural repair of the Upper and Lower Levels and the rebuilding the pump house along with dredging Savin Hill Cove and instructional needs, for example, providing technology in all of our classrooms and having wireless service throughout the Campus.

We have borrowed \$10.7 million to update all of our Campus wiring, which will enable use to support wireless along with other demands for broadband services. The project has started with the wiring of the new Campus Center. Our expectation is that campus telephone recharges should reasonably cover the debt service.

Of the projects on the deferred maintenance list, the replacement of major building systems is very important given the fact that they are at the end of their normal life cycle and repairs are no longer cost effective. The Heating, Ventilation, and Air Conditioning infrastructure is at the end of its life cycle and requires replacement so that the University can adequately support our instructional (classroom and laboratory) spaces.

Major Capital Projects presently underway in support of research is the development of space for the core research facility to house: the Geographic Information Systems (GIS) project, and the Applied Statistic lab and the Center for Environmental Health, Science, and Technology (CEHST).

- Debt Service

In the early 90's, UMass Boston, along with other campuses of the UMass system, recognized that we could no longer rely on state capital appropriations to meet new construction needs, escalating deferred maintenance, capital repairs, costly technology improvements and other major infrastructure requirements. To this end, with approval and guidance from the University Board of Trustees and President's Office, UMass Boston began to finance these initiatives from the capital markets undertaking debt service obligations for future years.

Our total Debt Service cost (Principal and Interest) is projected to grow steadily from \$9.7 million in FY2004 to a projected \$15.5 million in FY2010, reflecting our ambitious capital plan, and the continuing investment in the infrastructure for technology, science, and research. Included in our debt service obligation is the financing for our the new garage and/or garage repairs, the campus center, the campus energy conservation, the scientific equipment needs, the Peoplesoft project capitalizable development costs, the campus rewiring, the campus space management project, and a number of capital upgrades repairs, and deferred maintenance projects.

TECHNOLOGY INFRASTRUCTURE

- Technology Infrastructure

In FY2006, UMass Boston will spend approximately 12% of its current unrestricted funds budget in the aggregate on information technology. This includes the entire IT organization, the UITs budget that is charged to the campus through the central assessment, and other identifiable IT costs across the campus.

- Peoplesoft

In FY2006 Peoplesoft will continue to be a high priority as we move forward with the GL/FIN upgrade, and other planned modules. Since the beginning of the Peoplesoft initiative in FY00, and through FY04, the Boston Campus has directly invested \$ 18.8 million, and financed (by borrowing) an additional \$ 8.6 million (totaling \$27.4 mil.) for capitalizable system development costs associated with the project.

At this time the current versions of the G/L Finance (GL/FIN) and Human Resources (HR), and the Admissions module of the Student System are up and running. As we go forward the GL/FIN upgrade to version 8.8 is well underway, implementation partners have been chosen, the “fit-gap” evaluation will be completed shortly, and core team work on the upgrade will begin in the fall.

Implementation work on the additional Student System modules (ISIS) -Student Records, Student Financials (including the student billing and receivables), and Financial Aid, is nearing completion and the “go-live” point (after a brief delay) is now scheduled for November for the Boston and Dartmouth campuses.

The Human Resources, the earliest of our Peoplesoft systems implemented, is also scheduled to be upgraded. While the date is not certain for the HR upgrade to begin, it is likely to be in FY2007. While the exact future commitment for all of these initiatives is not certain, we do know that we will continue to invest heavily in this endeavor. We presently allocate \$4.5 mil from the general operations budget, and finance another \$1.4 mil for the Peoplesoft project.

FINANCIAL STABILITY

Knowing that future mandatory fee increases will be limited at best, the campus will seek other revenue opportunities and insure that for auxiliary enterprises and other fee for service activities that the user pays for the appropriate costs of those services. Additionally, we are strengthening and restructuring the Office of Institutional Advancement, with the goal of maximizing fund raising in the future. The increased investment in the Office of Research and Sponsored Programs will result in increased grant revenues and consequently increased indirect cost recovery as we go forward.

While challenged by the enormous pressure to achieve our strategic goals, meet our debt service obligations, address deferred maintenance and capital repairs, cover non-unit pay increases and unfunded collective bargaining costs, we believe that we can sustain and make modest increases to our Financial Cushion, thereby insuring financial stability.

III SUMMARY

The Boston Campus strengthened by new leadership looks forward with enthusiasm to the new fiscal year, and the years ahead. We view the future as an exciting period that will offer uncertainty, change, challenges and opportunity. We feel that the financial plan, as set forth in this document is sound and will provide the foundation for us to move forward to achieve the goals of our Strategic Plan.

Table 1
University of Massachusetts
Boston Campus
Fiscal Year 2006 Operating Budget Statement
(in thousands of dollars)

	FY 04 Actuals	FY 05 Projected Budget-Accrual/Adjusted Basis	FY2006 Budgeted		1-yr. change	2-yr. change
			FY 06 Budget-Accrual Basis			
REVENUES						
Operating Revenues						
Tuition and Fees (net of scholarship allowances)	71,253	76,569	79,703	\$3,134	4.1%	8,450 11.9%
Cash Basis Tuition Waivers - Operating Budget Old Method						
Federal Grants and Contracts	27,037	26,474	24,605	(\$1,869)	-7.1%	(2,432) -9.0%
State Grants and Contracts	5,671	5,975	5,473	(\$502)	-8.4%	(198) -3.5%
Local Grants and Contracts	1,590	1,319	1,227	(\$92)	-7.0%	(363) -22.8%
Private Grants and Contracts	5,990	8,449	7,871	(\$578)	-6.8%	1,881 31.4%
Sales & Service, Educational	1,807	1,375	1,665	\$290	21.1%	(142) -7.9%
Other Operating Revenues:			0			
Sales & Service, Auxiliary Enterprise	7,729	9,006	8,946	(\$60)	-0.7%	1,217 15.7%
Sales & Service, Public Service Activities			0			
Other	1,111	657	588	(\$69)	-10.5%	(523) -47.1%
Total Operating Revenues	122,188	129,824	130,078	\$254	0.2%	7,890 6.5%
EXPENSES						
Operating Expenses						
Educational and General						
Instruction	77,381	83,299	75,957	(\$7,342)	-8.8%	(1,424) -1.8%
Research	14,371	13,892	15,663	\$1,771	12.7%	1,292 9.0%
Public Service	7,256	8,318	7,720	(\$598)	-7.2%	464 6.4%
Academic Support	20,897	22,256	27,309	\$5,053	22.7%	6,412 30.7%
Student Services	12,934	15,183	14,740	(\$443)	-2.9%	1,806 14.0%
Institutional Support	13,002	24,308	22,041	(\$2,267)	-9.3%	9,039 69.5%
Operation and Maintenance of Plant	15,065	17,362	14,837	(\$2,525)	-14.5%	(228) -1.5%
Depreciation and Amortization	15,600	19,390	19,389	(\$1)	0.0%	3,789 24.3%
Scholarships and Fellowships	9,070	10,730	12,659	\$1,929	18.0%	3,589 39.6%
Auxiliary Enterprises	5,545	7,622	8,287	\$665	8.7%	2,742 49.4%
Other Expenditures						
Independent Operations						
Public Service Activities						
Total Operating Expenses	191,121	222,360	218,602	(\$3,758)	-1.7%	27,481 14.4%
Operating Income/(Loss)	(68,933)	(92,536)	(88,524)	\$4,012	-4.3%	(19,591) 28.4%
NONOPERATING REVENUES/(EXPENSES)						
State Appropriations	71,472	86,496	84,612	(\$1,884)	-2.2%	13,140 18.4%
Gifts	1,448	1,555	4,322	\$2,767	177.9%	2,874 198.5%
Investment Return	2,943	2,152	2,152	\$0	0.0%	(791) -26.9%
Endowment Return	568	638	1,524	\$886	138.9%	956 168.3%
Interest on Indebtedness	(4,018)	(3,684)	(3,884)	(\$200)	5.4%	134 -3.3%
Mandatory Transfers - Principal			0			
Other Nonoperating Income	135	12	1,327	\$1,315	10958.3%	1,192 883.0%
Net Nonoperating Revenues	72,548	87,169	90,053	\$2,884	3.3%	17,505 24.1%
Income Before Other Revenues, Expenses, Gains, and Losses	3,615	(5,367)	1,529	\$6,896	-128.5%	(2,086) -57.7%
Capital Appropriations	1,342	1,900	1,900	\$0	0.0%	558 41.6%
Capital Grants and Contracts						
University Related Transactions						
Disposal of Plant Facilities	(5,596)	(29)	0	\$29	-100.0%	5,596 -100.0%
Expended for Plant						
Other Additions/Deductions	5,689	803	1,291	\$488	60.8%	(4,398) -77.3%
Total Other Revenues, Expenses, Gains & Losses	1,435	2,674	3,191	\$517	19.3%	1,756 122.4%
Total Increase in Net Assets	5,050	(2,693)	4,720	\$7,413	-275.3%	(330) -6.5%
NET ASSETS						
Net Assets at Beginning of Year	125,570	130,620	127,927			
Net Assets at End of Year	130,620	127,927	132,647			

Table 2
University of Massachusetts
Boston Campus
Fiscal Year 2006 Operating Budget Statement
SUMMARY OF FULL-TIME EQUIVALENT (FTE) EMPLOYEES *

	Actual FTE's Fall 2003 (FY 2004)	Actual FTE's Fall 2004 (FY 2005)	Projected FTE's Fall 2005 (FY 2006)	FTE Change	% Change
UNRESTRICTED/DESIGNATED FUNDS					
STATE FUNDED POSITIONS					
Faculty	440.2	422.9	441.4	18.5	4.4%
Professional Staff	325.8	318.4	336.1	17.7	5.6%
Classified Staff	336.2	306.7	310.1	3.4	1.1%
Subtotal, State Funded	1,102.2	1,048.0	1,087.6	39.6	3.8%
NON-STATE FUNDED POSITIONS					
Faculty	159.1	187.8	170.4	(17.4)	-9.3%
Professional Staff	196.0	219.1	201.1	(18.0)	-8.2%
Classified Staff	64.7	62.0	80.7	18.7	30.2%
Subtotal, Non-State Funded	419.8	468.9	452.2	(16.7)	-3.6%
Total Unrestricted/Designated	1,522.0	1,516.9	1,539.8	22.9	1.5%
RESTRICTED FUNDS					
GRANT FUNDED POSITIONS					
Faculty	3.9	3.7	5.9	2.2	59.5%
Professional Staff	78.4	63.1	71.9	8.8	13.9%
Classified Staff	13.1	11.4	11.7	0.3	2.6%
Subtotal, Grant Funded	95.4	78.2	89.5	11.3	14.5%
OTHER RESTRICTED POSITIONS					
Faculty	0.0	0.0	0.0	0.0	0.0%
Professional Staff	0.0	0.0	0.0	0.0	0.0%
Classified Staff	0.0	0.0	0.0	0.0	0.0%
Subtotal, Other Restricted Funds	0.0	0.0	0.0	0.0	0.0%
Total Restricted	95.4	78.2	89.5	11.3	14.5%
TOTAL UNRESTRICTED AND RESTRICTED	1,617.4	1,595.1	1,629.3	34.2	2.1%

* Includes Full and Part-time employees; student and other hourly employees not included.

**University of Massachusetts Dartmouth
FY2006 Operating Budget Narrative**

Fiscal Year 2006 presents many opportunities for the Dartmouth Campus as well as continuing challenges. Based on the FY2006 State appropriation allocation letters sent from the President's Office, it appears that the state appropriation will increase slightly. As a result, additional resource realignments will be necessary and certainly some needed investments may be delayed. However, the campus is prepared to manage its resources well and because of enrollment increase and reallocation of existing resources will be able to balance the budget and invest in several strategic priorities. Collaborative budget processes and the requisite management tools for informed decision-making are in place, and strategic priorities are clear. The anticipated fiscal year 2005 financial results as well as our projected fiscal year 2006 operating budget projections demonstrate we are effectively linking our resources and our goals and that we have established fiscal stability. The campus has engaged in a process to identify institutional priorities. In general, those priorities are: 1) Investment in our human resources through professional development; 2) Investment in physical resources and 3) Investment in fundraising and economic development. These priorities were the driving factor behind the fiscal year 2006 budget process. This brief narrative outlines specific revenue and expense streams.

Revenues

The fiscal year 2006 state appropriation is based on the allocation from the President's Office. This allocation does not include any collective bargaining for fiscal year 2006. The single largest student based revenue stream on the Dartmouth Campus is the Curriculum Support Fee (CSF), a fee that supports all the core operational activities of the campus. Fiscal year 2006 CSF revenues are estimated to generate \$41.2 million dollars, an increase of approximately 3 million dollars over the revenues generated in fiscal year 2005. These additional funds will be utilized first for additional financial aid for students, for faculty replacements to meet growing enrollment demands, dramatic increases in utility costs, becoming a full financial partner in the ISIS project and to restore some critical program support that was reduced over the last three years because of state appropriation losses. For every dollar generated in CSF revenues, 20% is returned to incoming and continuing students via scholarship and need-based waivers. Lastly, as noted above, the reductions of state support has forced the Dartmouth campus to use its CSF revenues (and other trust fund revenue) to support the campus's annual payroll expenditures. For every dollar the campus must provide to cover the state's shortfall in payroll expenses, we must add 30 cents for benefit costs not covered by the state central pool. As part of our budget planning, we will also generate a modest operating cash surplus from this fund in fiscal year 2006. This modest cash surplus is used to bring the campus closer to its goal of financial stability.

Enrollment

The campus' strategic plan guides program and resource allocation decisions. The fiscal year 2006 Operating Budget attached shows trends consistent with the critical assumption of the campus plan: growth in enrollment, and tighter resource structures and tools to meet budget targets. It is critical to align resources to priority activities through the budget development and allocation process and to have a clear set of budgetary control mechanisms to balance revenue and expenses for each fiscal year. Building a reserve fund, leveraging debt wisely, and stabilizing annual operations are fiscal strategies successfully reflected in our financial indicators.

Enrollment Projections					
FY 2006 to FY 2010					
	FY06	FY07	FY08	FY09	FY10
Freshman (Including College Now)	1,425	1,400	1,400	1,375	1,375
Undergraduates	6,878	7,007	7,011	7,072	7,055
Graduates	828	934	1,067	1,236	1,400
Total Headcount (w/o CE)	7,706	7,941	8,078	8,308	8,455
Continuing Education	1,613	1,728	1,843	1,955	2,075
Less: Day/DCE Duplicate	(400)	(400)	(400)	(400)	(400)
Total Headcount (with CE)	8,919	9,269	9,521	9,863	10,130
Annual Increase	N/A	350	252	342	267
Annual Percentage Increase	N/A	3.92%	2.72%	3.59%	2.71%

Auxiliary Operations

Auxiliary Operations generate revenues from sources other than student fees. The Campus revenue operations include, Housing, Dining, Campus Store, Administrative Overhead Trust Fund, Parking, Child Care, Conferencing, UMass Pass and Continuing Education. The Revenue Based Operations supply services to students, faculty, staff and the community.

The Housing Revenue Based Operation has grown over the past three fiscal years, in accordance with the campus's overall strategic growth plan. The construction of a new 800-bed residence hall (completed and occupied in the fall 2002 semester) was the main input for the increased revenues. Occupancy in the residence halls is near 97%% with over 3,400 students (Fiscal Year 2005). Revenues have grown from \$7.8 million in fiscal year 2002 to a projected \$19.9 million in fiscal year 2006. Additional revenues generated by the increased dormitory capacity will be used for existing and new debt service for the residence halls, additional staff, as well as deferred maintenance issues with the existing residence halls. The increase also reflects the 400 new beds that came on-line in January 2005 and the opening of 800 additional beds in September 2005. This will allow the campus to take 400 existing beds off-line for maintenance and repair work. The Campus has entered into a contract with an engineering firm to evaluate existing residence halls with an expectation that a deferred maintenance schedule will be developed. Revenues from this increase will be earmarked for said activity and to meet debt service obligations for the new residence halls. The fiscal year 2006 Housing budget has set aside \$1.0 million to begin addressing the deferred maintenance issue. Lastly, it is expected that the Housing Trust Fund will generate a surplus.

The Dining Auxiliary Operation supports the Dining facilities on Campus. Currently, the Campus contracts with Sodexo for all its food service needs. This includes students, conferencing, camps, and other catering needs as requested by the Campus. Revenues have increased from \$4.6 million in fiscal year 2002 to a projected \$8.3 million in fiscal year 2006. There are approximately 2,700 students currently participating in the Campus's meal plans. All students residing in the residence halls with the exception of those in the Cedar Dell apartments and the new apartment style housing are required to enroll in a meal plan. A new declining balance meal program has been instituted for those students who still want to take advantage of the food service on campus. Included in the fiscal year 2006 budget is \$100,000 for deferred maintenance

projects. These projects include updating major kitchen equipment and other visible improvements to the Campus's dining areas. In addition to the campus's contribution to the deferred maintenance funds, a Sodexo funded renovation to our commuter dining facility and to the Residence Dining Hall have improved the facilities dramatically. The dining revenues generated (and resulting fund balance growth) will continue to assist the Campus in attaining financial stability.

The Dartmouth Campus operates the Campus store. The Campus Store has consistently contributed financially to the campus. Revenues from this operation have grown from \$4.7 million in fiscal year 2002 to a projected \$5.5 million in fiscal year 2006. All expenses related to the operation of the Campus Store including salary and overhead are funded from the revenues generated. In addition, the Campus Store has contributed to the campuses operating budget on an annual basis. The fund balance for this activity is strong and we anticipate it will continue to grow in fiscal year 2006.

Continuing Education has and will play a major role in the growth of the Dartmouth Campus. Special programs, expanding graduate programs, satellite campuses, distance learning, corporate development and community service is the underlying strength of Continuing Education and is consistent with the campus' growth strategy with regards to its Strategic Plan. You will notice a small deficit in the Continuing Education Trust. This deficit reflects investments made by the campus to increase our community base as well as our professional and continuing education programs.

Expenses

As stated above, the fiscal year 2006 Operating Budget has been prepared using the modified accrual basis. Expenditures that are not typically included in a cash based budget presentation have been included. Some of the more significant changes are recognizing depreciation, allocation of fringe benefit and compensated absences costs, capitalization of certain equipment purchases and projects, and removing certain scholarship costs from expenses and netting them against revenues.

Expense assumptions are tied to the campuses strategic priorities as established for the fiscal year 2006 budget process. In addition to these priorities, there are cost associated with both prior year strategic investments and mandated inflationary type costs such as the annualization of faculty salaries, increase in both merit and need based student financial aid, and information technology. Fiscal year 2006 costs include faculty recruitment tied to specific hiring plans (36 for FY 06) and to enrollment targets for the longer term. It should be noted that the new faculty are funded from planned separations as well as strategically reallocated funds. Since FY01, the campus lost nearly 100 faculty. In addition, there are resources being invested in information technology, facilities and maintenance, classroom renovations, advancement activities, professional development and utilities. These investments are critical to the Dartmouth Campus achieving its strategic objectives.

Summary

UMass Dartmouth is the smallest of the University of Massachusetts campuses but it has demonstrated the most growth in the past three years in enrollment, research capacity and accomplishment, and regional collaborations. Our missions and vision are clear and the campus has mobilized itself to move forward aggressively toward its aspirations. The campus has met the challenges of declining state support and two state sponsored early retirement programs within a three-year period while continuing to make progress toward its 10-year strategic goals. Our regional community is counting on us to be successful in our growth strategy and we are convinced that achieving our goals will enhance our own institutional profile and offer substantial value to our community and to the Commonwealth

Table 1
University of Massachusetts
Dartmouth Campus
Fiscal Year 2006 Operating Budget Statement

	FY 04 Actuals	FY 05 Projected Budget-Accrual/Adjusted Basis	FY2006 Budgeted		1-yr. change	2-yr. change
			FY 06 Budget-Accrual Basis			
REVENUES						
Operating Revenues						
Tuition and Fees	\$47,549,000	\$51,200,289	\$55,303,665	\$4,103,376	8.0%	7,754,665 16.3%
Scholarship allowance	\$2,370,000	\$2,370,000	\$2,700,000	\$330,000	13.9%	330,000 13.9%
Tuition and Fees (net of scholarship allowances)	\$45,179,000	\$48,830,289	\$52,603,665	\$3,773,376	7.7%	7,424,665 16.4%
Federal Grants and Contracts	\$16,287,000	\$19,143,479	\$19,478,490	\$335,011	1.8%	3,191,490 19.6%
State Grants and Contracts	\$5,283,000	\$4,321,908	\$4,397,542	\$75,633	1.8%	(885,458) -16.8%
Local Grants and Contracts	\$0	\$33,274	\$33,856	\$582	1.8%	33,856
Private Grants and Contracts	\$1,594,000	\$2,160,321	\$2,198,127	\$37,806	1.8%	604,127 37.9%
Sales & Service, Educational	\$129,000	\$31,224	\$31,770	\$546	1.7%	(97,230) -75.4%
Auxiliary Enterprises	\$23,510,000	\$24,329,300	\$29,335,867	\$5,006,567	20.6%	5,825,867 24.8%
Other Operating Revenues:			\$0			
Sales & Service, Independent Operations	\$0	\$0	\$0			
Sales & Service, Public Service Activities	\$0	\$0	\$0			
Other	\$3,409,000	\$3,132,401	\$3,225,000	\$92,599	3.0%	(184,000) -5.4%
Total Operating Revenues	\$95,391,000	\$101,982,196	\$111,304,317	\$9,322,121	9.1%	15,913,317 16.7%
EXPENSES						
Operating Expenses						
<i>Educational and General</i>						
Instruction	\$39,251,000	\$45,337,733	\$46,041,688	\$703,955	1.6%	6,790,688 17.3%
Research	\$16,905,000	\$17,059,923	\$18,251,147	\$1,191,224	7.0%	1,346,147 8.0%
Public Service	\$1,281,000	\$870,517	\$893,518	\$23,001	2.6%	(387,482) -30.2%
Academic Support	\$12,915,000	\$13,995,694	\$14,270,548	\$274,854	2.0%	1,355,548 10.5%
Student Services	\$6,624,000	\$6,785,662	\$6,952,873	\$167,211	2.5%	328,873 5.0%
Institutional Support	\$16,449,000	\$20,244,404	\$19,442,404	(\$802,000)	-4.0%	2,993,404 18.2%
Operation and Maintenance of Plant	\$12,381,000	\$15,888,859	\$15,934,119	\$45,260	0.3%	3,553,119 28.7%
Depreciation and Amortization	\$8,415,000	\$10,916,816	\$11,316,816	\$400,000	3.7%	2,901,816 34.5%
Scholarships and Fellowships	\$4,575,000	\$4,871,666	\$4,610,299	(\$261,367)	-5.4%	35,299 0.8%
<i>Auxiliary Enterprises</i>	\$13,615,099	\$18,104,858	\$22,240,323	\$4,135,465	22.8%	8,625,224 63.4%
<i>Other Expenditures</i>			\$0			
Independent Operations	\$0	\$0	\$0			
Public Service Activities	\$0	\$1,137	\$0	(\$1,137)	-100.0%	
Total Operating Expenses	\$132,411,099	\$154,077,269	\$159,953,734	\$5,876,465	3.8%	27,542,635 20.8%
Operating Income/(Loss)	(\$37,020,099)	(\$52,095,073)	(\$48,649,418)	\$3,445,655	-6.6%	(11,629,319) 31.4%
NONOPERATING REVENUES/(EXPENSES)						
State Appropriations	\$40,920,000	\$49,754,572	\$47,540,870	(\$2,213,702)	-4.4%	6,620,870 16.2%
Gifts	\$0	\$0	\$2,400,000			2,400,000
Investment Return	\$939,000	\$929,688	\$1,100,000	\$170,312	18.3%	161,000 17.1%
Endowment Return	\$0	\$0	\$800,000	\$800,000		800,000
Interest on Indebtedness	(\$4,837,000)	(\$3,520,559)	(\$3,520,559)	\$0	0.0%	1,316,441 -27.2%
Other Nonoperating Income	\$0	\$424,082	\$435,000	\$10,918	2.6%	435,000
Net Nonoperating Revenues	\$37,022,000	\$47,587,783	\$48,755,311	\$1,167,528	2.5%	11,733,311 31.7%
Income Before Other Revenues, Expenses, Gains, and Losses	\$1,901	(\$4,507,290)	\$105,893	\$4,613,183	-102.3%	103,992 5470.4%
Capital Appropriations	\$4,764,000	\$4,283,740	\$4,300,000	\$16,260	0.4%	(464,000) -9.7%
Capital Grants and Contracts	\$0	\$0	\$0			
University Related Transactions	\$0	\$0	\$0			
Disposal of Plant Facilities	(\$2,170,000)	(\$1,237,547)	(\$1,250,000)	(\$12,453)	1.0%	920,000 -42.4%
Other Additions/Deductions	\$1,189,000	\$1,635,242	\$1,750,000	\$114,758	7.0%	561,000 47.2%
Total Other Revenues, Expenses, Gains & Losses	\$3,783,000	\$4,681,435	\$4,800,000	\$118,565	2.5%	1,017,000 26.9%
Total Increase in Net Assets	\$3,784,901	\$174,145	\$4,905,893	\$4,731,748	2717.1%	1,120,992 29.6%
NET ASSETS						
Net Assets at Beginning of Year	\$37,848,000	\$41,326,422	\$48,452,490	\$7,126,068	17.2%	10,604,490 28.0%
Net Assets at End of Year	\$41,632,901	\$41,500,567	\$53,358,383	\$11,857,816	28.6%	11,725,482 28.2%

Table 2
University of Massachusetts
Dartmouth Campus
Fiscal Year 2006 Operating Budget Statement
SUMMARY OF FULL-TIME EQUIVALENT (FTE) EMPLOYEES *

	Actual FTE's Fall 2003 (FY 2004)	Actual FTE's Fall 2004 (FY 2005)	Projected FTE's Fall 2005 (FY 2006)	FTE Change	% Change
UNRESTRICTED/DESIGNATED FUNDS					
STATE FUNDED POSITIONS					
Faculty	332.9	341.3	343.0	1.7	0.5%
Professional Staff	172.5	177.7	179.0	1.3	0.7%
Classified Staff	245.6	250.3	250.0	(0.3)	-0.1%
Subtotal, State Funded	751.0	769.2	772.0	2.8	0.4%
NON-STATE FUNDED POSITIONS					
Faculty	121.4	122.4	121.0	(1.4)	-1.2%
Professional Staff	58.9	61.0	66.0	5.0	8.2%
Classified Staff	61.6	71.6	72.0	0.4	0.6%
Subtotal, Non-State Funded	241.8	255.0	259.0	4.0	1.6%
Total Unrestricted/Designated	992.8	1,024.3	1,031.0	6.7	0.7%
RESTRICTED FUNDS					
GRANT FUNDED POSITIONS					
Faculty	1.7	1.5	1.5	0.0	0.0%
Professional Staff	25.5	33.0	33.0	0.0	0.0%
Classified Staff	4.0	6.7	6.7	0.0	0.0%
Subtotal, Grant Funded	31.2	41.3	41.3	0.0	0.0%
OTHER RESTRICTED POSITIONS					
Faculty	0.6	1.5	1.5	0.0	0.0%
Professional Staff	8.9	7.6	7.6	0.0	0.0%
Classified Staff	1.0	2.0	2.0	0.0	0.0%
Subtotal, Other Restricted Funds	10.4	11.0	11.0	0.0	0.0%
Total Restricted	41.6	52.3	52.3	0.0	0.0%
TOTAL UNRESTRICTED AND RESTRICTED	1,034.4	1,076.5	1,083.3	6.7	0.6%

* Includes Full and Part-time employees; student and other hourly employees not included. All employee counts from fall census data (Oct.)

University of Massachusetts Lowell FY2006 Operating Budget Narrative

Introduction

The Fiscal Year 2006 Operating Budget Statement for the University of Massachusetts Lowell presents a general plan for the year and outlines our priorities, resources and planned use of funds.

The document considers the FY04 Financial Statements (actuals), the preliminary results for FY05 and the projected outcome for FY06 based on the campus budget process.

This document format has been changed from a cash based schedule to a modified accrual based budget report. The view will take time to refine and should steadily improve over reporting cycles.

Campus Priorities

The strategic initiative for the University of Massachusetts Lowell for FY05, FY06 and beyond is in accordance with our “2003-2013 Transformation Process.”

Objective

The purpose of the initiative is to create new ways to organize and deliver knowledge, to encourage focused research, and to promote a new image of the campus. Its goal is to provide students with the most creative, thoughtful and up-to-date curriculum possible, to allow faculty to expand their pedagogical, disciplinary and interdisciplinary interests, and to develop wide understanding -- across a broad public arena -- of the innovations currently under way on the campus.

The Need to Change

The need to reinvent the campus proceeds from three related assumptions about social, economic and educational changes that will structure a revised landscape for higher education in Massachusetts and elsewhere in the coming years:

1. *The global context.* Rapid changes in technology, the creation of new goods and services, the restructuring of the international division of labor, the movement of peoples, and the degradation of old skills and creation of new ones demand a rapid and agile response. Institutions of higher education must address these issues if they are to provide the kind of research and education that will prepare students and researchers to meet the challenges of this global context. It requires that teaching and research respond rapidly to a changing environment while maintaining a strong commitment to basic skills.
2. *State and local level.* In Massachusetts the dependence of public higher education on funding from the legislature poses a particular challenge for this institution. The prevalence of numerous highly-regarded private universities overshadows UMass, and public support for public higher education has not been strong. The legislature has reduced funding over the last ten years, but we look forward to significant improvements because of the Senate Task Force on Higher Education. The recent budget crisis showed just how vulnerable UMass and this campus are to fiscal downturns. Our long-term success hinges on finding alternative sources of funding while at the same time articulating more clearly the University’s importance to the Commonwealth. Because this is a five-campus system, Lowell has an opportunity to highlight *our* particular strengths both within the university system and more widely to the general public.
3. *Campus level.* Recent changes in faculty (many retirements, new faculty coming on board) and staff (new team of senior administrators, integration of a number of units) have built on changes begun more than a dozen years ago. We are still, however, relatively traditional in our approach to education. If we are to respond to global change, attract a “deeper” pool of students, and enhance our revenue from major funding agencies we need to reinvent ourselves at the campus level. Critical to this task is increasing our administrative efficiency, improving our retention of undergraduate

students, increasing our fundable research, innovating our teaching methods and attracting a broader range of students.

This reinvention is built on the mission of the campus, promotes the full integration of the concept of sustainability in all we do and advocate, and is dedicated to creating an institution that can promote a new and exciting image to other universities, potential students, funding agencies, legislators, and the public at large.

Some of the steps identified for the Transformation Process and progress against those steps are highlighted below:

Give highest priority to continuing efforts to restructure undergraduate programs, differentiating them from others and thereby making the University of Massachusetts Lowell a “school of choice” for a larger pool of students.

During the last two years, the campus has begun to replenish faculty lost to the ERIP. This replenishment will allow us to restructure undergraduate programs and hire new faculty strategically to expand our research programs. We will be adding 36 new faculty this fall.

Beginning in FY05 and continuing into FY06 the campus is crafting a distinctive, first year experience that should be available to first year students in the fall of 2007. The campus has also dedicated a significant amount of resources to strengthening and expanding our interdisciplinary programs.

In FY05 a task force was created to develop a strategic plan for research. The plan identified the need to create a central administrative position, a Vice Chancellor for Research, charged with supporting the faculty and promoting research and scholarship.

In FY06, we will begin the search for this position.

Reduce all business processing costs that can be reduced or improved by centralizing the process in the University System Office.

In FY06 the campus will be participating in the PeopleSoft FIN/GL upgrade and the implementation of associated modules. This implementation presents an opportunity to focus and enhance the use of the product’s capabilities to reduce business processing and centralizing similar activities that occur between campuses. Since the beginning of the PeopleSoft implementation, the campus has contributed \$19.1 million and financed through borrowing an additional 11.2 million (totaling \$30.3 million) for costs attributable to the project.

We currently allocate \$5.5 million from the general operating budget, and will finance another \$1.5 million for the PeopleSoft project.

Continue to aggressively expand present efforts to conduct student, staff, faculty and external transactions, information exchange and business processes in a self-help mode via the WEB.

The web is a strategic, communication tool for the campus. In FY05 a content management software package was purchased to enable a quick update to webpage content. In FY06 we will begin working with an outside consultant to develop a web-based communication strategy that is both internal and external to the campus.

In FY06, a unified messaging system is being piloted to allow faculty and staff to receive electronic messages through electronic mail.

In addition, wireless web access is being rolled out throughout the campus in strategic locations.

The campus has implemented a PC replacement program in an effort to replace PC that are three years or older. We currently allocate almost \$1.0 million from the general operating budget for this purpose.

Improve student services and business processes by completing the implementation of all centralized service centers and fully deploying PeopleSoft.

A major achievement in FY05 was the implementation of the Student System (ISIS) modules—Student Records, Student Financials (including student billing and receivables) and Financial Aid. ISIS effort will continue in FY06 as we move from system implementation to system stabilization.

Recognizing the need to provide service excellence to our largely commuter-based student population, in FY05 and continuing into FY06, the campus began the formation of a “one stop” operation to support students on campus—currently financial aid, enrollment services, records management and the bursar are located in Dugan Hall. In the coming years, we anticipate moving other student related services to Dugan in an effort to support service excellence initiatives.

Capital Priorities

Deferred Maintenance and Planned Replacements

Over the last ten years, the Lowell campus, in partnership with the State Legislature, the State’s Division of Capital Asset Management and the President’s Office, implemented and completed a challenging program to revitalize the Lowell physical plant. That program has moved the Lowell campus beyond merely reacting to deferred maintenance and emergency repairs: critical systems are in working order and the existing physical plant is able to support existing academic programs and activities.

Planned Replacement comprises approximately 20% of our current program: those projects that will maintain campus infrastructure and upgrade systems to accommodate growing needs. The consistent implementation of planned replacement projects is critical to avoiding a return to the deferred maintenance cycle of fighting emergencies at the expense of planned repairs. A small percentage of the plan (2%) is dedicated to compliance issues. The Lowell campus approach is to integrate a broad range of compliance issue resolution into every capital project, large or small, and treat them as essential project elements. This broad approach will continue throughout all projects in the capital plan.

The campus dedicates \$1.450 million from the general operating budget to support these activities.

UMass Lowell’s Transformation

Capital priorities include three key projects to ensure the success of the academic transformation: the rehabilitation of the Allen House, and the modernization of the North Quadrangle and Lydon Library.

The **Allen House** will house administrative offices for Fine Arts, Humanities and Social Sciences, and a gallery/chamber music space which will open this historic landmark to the public. Overlooking the Merrimack River, the Allen House is a critical component to breaking down barriers and creating a place for academic interaction.

The **North Quadrangle** is the home to our science and engineering departments. In order to provide year-round teaching, and to accommodate the growing needs of equipment and laboratory space, the Quadrangle requires upgrades.

The modernization of **Lydon Library** will include technology and space adaptation to consolidate and streamline the library services for the entire campus.

Several programmatic initiatives have resulted in the need for some significant infrastructure changes.

The creation of the **School of Health and Environment (SHE)** represents an important step in both the evolving interdisciplinary nature of Lowell’s academic programs, as well and the comprehensive approach to the health of communities and the economy. The college has consolidated several areas programmatically. This academic reorganization requires a reorganization of physical space. The consolidation of the SHE will result in a further rationalization of space use on UML South.

During the past 12 months and with exceptional support from many parties (Board of Trustees, Legislature, DCAM, and others) the Lowell Campus expects to take advantage of a truly unique facility and capital opportunity through the purchase of the local **St Joseph's Hospital** and sale of our "Mill" facilities (Hub Hosiery and Wannalancit buildings) at Perkins and Suffolk Streets in Lowell. The hospital purchase should close this fall. The hospital is located midway between our Lowell North and South locations, figures prominently in our plans for the School of Health and Environment, and will reduce physical and psychological distances between programs at the Lowell Campus.

Working closely with the School of Health and Environment, the **UML Nanomanufacturing Center** will develop economically and environmentally practical ways to commercialize innovations in the nanotechnology field. The construction of a new facility has been endorsed by the Governor's office.

A 32 acre property in Chelmsford, **UML West**, is Lowell's opportunity to expand its research and development initiatives, and grow its partnerships with private industry. Although recent economic pressures have delayed the implementation of this \$100 million development, Lowell is dedicated to pursuing a project that will have significant regional economic development impacts.

Summary

The University of Massachusetts Lowell has embarked on an exciting phase in its existence. The above-discussed transformation of the campus will create a stimulating, environment in which teaching, learning and research will be achieved in stimulating and exciting and innovative ways. However, this transformation will require a significant investment in order to be achieved. The campus greatly appreciates the increase in our State Maintenance Appropriation that has allowed us to continue to replenish the faculty and staff lost to early retirement. In addition, we plan to reallocate existing campus assets to enable the campus to move along this exciting path.

**Table 1
University of Massachusetts
Lowell Campus
Fiscal Year 2006 Operating Budget Statement**

	FY 04 Actuals	FY 05 Projected Budget-Accrual/Adjusted Basis	FY2006 Budgeted		1-yr. change	2-yr. change	
			FY 06 Budget-Accrual Basis				
REVENUES							
Operating Revenues							
Tuition and Fees	\$69,520,000	\$76,454,000	\$80,342,000	\$3,888,000	5.1%	10,822,000	15.6%
Scholarship allowance	(\$6,622,000)	(\$8,608,000)	(\$9,000,000)	(\$392,000)	4.6%	(2,378,000)	35.9%
Tuition and Fees (net of scholarship allowances)	\$62,898,000	\$67,846,000	\$71,342,000	\$3,496,000	5.2%	8,444,000	13.4%
Federal Grants and Contracts	\$21,525,000	\$23,555,000	\$24,250,000	\$695,000	3.0%	2,725,000	12.7%
State Grants and Contracts	\$1,908,000	\$1,855,000	\$1,900,000	\$45,000	2.4%	(8,000)	-0.4%
Local Grants and Contracts	\$563,000	\$527,000	\$550,000	\$23,000	4.4%	(13,000)	-2.3%
Private Grants and Contracts	\$4,855,000	\$5,482,000	\$6,000,000	\$518,000	9.4%	1,145,000	23.6%
Sales & Service, Educational	\$992,000	\$895,000	\$950,000	\$55,000	6.1%	(42,000)	-4.2%
Auxiliary Enterprises	\$6,019,000	\$6,454,000	\$7,000,000	\$546,000	8.5%	981,000	16.3%
Other Operating Revenues:							
Sales & Service, Independent Operations							
Sales & Service, Public Service Activities							
Other	\$790,000	\$1,073,000	\$1,100,000	\$27,000	2.5%	310,000	39.2%
Total Operating Revenues	\$99,550,000	\$107,687,000	\$113,092,000	\$5,405,000	5.0%	13,542,000	13.6%
EXPENSES							
Operating Expenses							
Educational and General							
Instruction	\$55,726,000	\$65,876,000	\$68,261,000	\$2,385,000	3.6%	12,535,000	22.5%
Research	\$24,509,000	\$27,511,000	\$28,667,000	\$1,156,000	4.2%	4,158,000	17.0%
Public Service	\$2,621,000	\$3,000,000	\$3,055,000	\$55,000	1.8%	434,000	16.6%
Academic Support	\$15,260,000	\$16,990,000	\$17,200,000	\$210,000	1.2%	1,940,000	12.7%
Student Services	\$12,488,000	\$14,550,000	\$14,800,000	\$250,000	1.7%	2,312,000	18.5%
Institutional Support	\$17,369,000	\$20,000,000	\$20,300,000	\$300,000	1.5%	2,931,000	16.9%
Operation and Maintenance of Plant	\$12,537,000	\$15,000,000	\$15,250,000	\$250,000	1.7%	2,713,000	21.6%
Depreciation and Amortization	\$10,614,000	\$11,300,000	\$12,926,000	\$1,626,000	14.4%	2,312,000	21.8%
Scholarships and Fellowships	\$3,088,000	\$4,396,000	\$4,400,000	\$4,000	0.1%	1,312,000	42.5%
Auxiliary Enterprises	\$5,058,000	\$5,400,000	\$5,650,000	\$250,000	4.6%	592,000	11.7%
Other Expenditures							
Independent Operations							
Public Service Activities							
Total Operating Expenses	\$159,270,000	\$184,023,000	\$190,509,000	\$6,486,000	3.5%	31,239,000	19.6%
Operating Income/(Loss)	(\$59,720,000)	(\$76,336,000)	(\$77,417,000)	(\$1,081,000)	1.4%	(17,697,000)	29.6%
NONOPERATING REVENUES/(EXPENSES)							
State Appropriations	\$60,707,000	\$76,880,000	\$76,100,000	(\$780,000)	-1.0%	15,393,000	25.4%
Gifts	\$1,885,000	\$2,130,000	\$2,330,000	\$200,000	9.4%	445,000	23.6%
Investment Return	\$1,290,000	\$1,500,000	\$1,750,000	\$250,000	16.7%	460,000	35.7%
Endowment Return	\$54,000	\$75,000	\$100,000	\$25,000	33.3%	46,000	85.2%
Interest on Indebtedness	(\$2,303,000)	(\$2,668,000)	(\$3,011,000)	(\$343,000)	12.9%	(708,000)	30.7%
Other Nonoperating Income	\$44,000	\$120,000	\$250,000	\$130,000	108.3%	206,000	468.2%
Net Nonoperating Revenues	\$61,677,000	\$78,037,000	\$77,519,000	(\$518,000)	-0.7%	15,842,000	25.7%
Income Before Other Revenues, Expenses, Gains, and Losses	\$1,957,000	\$1,701,000	\$102,000	(\$1,599,000)	-94.0%	(1,855,000)	-94.8%
Capital Appropriations	\$3,807,000	\$1,207,000	\$3,600,000	\$2,393,000	198.3%	(207,000)	-5.4%
Capital Grants and Contracts							
University Related Transactions							
Disposal of Plant Facilities	(\$1,080,000)	(\$1,400,000)	(\$1,400,000)	\$0	0.0%	(320,000)	29.6%
Other Additions/Deductions	\$175,000	(\$425,000)	\$250,000	\$675,000	-158.8%	75,000	42.9%
Total Other Revenues, Expenses, Gains & Losses	\$2,902,000	(\$618,000)	\$2,450,000				
Total Increase in Net Assets	\$4,859,000	\$1,083,000	\$2,552,000				
NET ASSETS							
Net Assets at Beginning of Year	\$95,781,000	\$100,640,000	\$101,723,000				
Net Assets at End of Year	\$100,640,000	\$101,723,000	\$104,275,000				

Table 2
University of Massachusetts
Lowell Campus
Fiscal Year 2006 Operating Budget Statement
SUMMARY OF FULL-TIME EQUIVALENT (FTE) EMPLOYEES *

	Actual FTE's Fall 2003 (FY 2004)	Actual FTE's Fall 2004 (FY 2005)	Projected FTE's Fall 2005 (FY 2006)	FTE Change	% Change
UNRESTRICTED/DESIGNATED FUNDS					
STATE FUNDED POSITIONS					
Faculty	369.1	374.2	413.0	38.8	10.4%
Professional Staff	314.1	334.9	368.4	33.5	10.0%
Classified Staff	141.5	144.3	149.0	4.7	3.3%
Subtotal, State Funded	824.7	853.4	930.4	77.0	9.0%
NON-STATE FUNDED POSITIONS					
Faculty	3.0	3.0	3.0	0.0	0.0%
Professional Staff	32.4	35.4	32.4	(3.0)	-8.5%
Classified Staff	41.8	42.8	41.8	(1.0)	-2.3%
Subtotal, Non-State Funded	77.2	81.2	77.2	(4.0)	-4.9%
Total Unrestricted/Designated	901.9	934.6	1,007.6	73.0	7.8%
RESTRICTED FUNDS					
GRANT FUNDED POSITIONS					
Faculty	0.0	0.0	0.0	0.0	0.0%
Professional Staff	122.0	113.0	122.0	9.0	8.0%
Classified Staff	0.0	0.0	0.0	0.0	0.0%
Subtotal, Grant Funded	122.0	113.0	122.0	9.0	8.0%
OTHER RESTRICTED POSITIONS					
Faculty	0.0	0.0	0.0	0.0	0.0%
Professional Staff	11.6	11.6	11.6	0.0	0.0%
Classified Staff	2.0	3.0	2.0	(1.0)	-33.3%
Subtotal, Other Restricted Funds	13.6	14.6	13.6	(1.0)	-6.8%
Total Restricted	135.6	127.6	135.6	8.0	6.3%
TOTAL UNRESTRICTED AND RESTRICTED	1,037.5	1,062.2	1,143.2	81.0	7.6%

* Includes Full and Part-time employees; student and other hourly employees not included. All employee counts from fall census data (Oct.).

University of Massachusetts Worcester
FY2006 Operating Budget Narrative

The Fiscal 2006 budget is presented in the context of continued campus growth that is consistent with the trends and benchmarks separately presented in the campus' ten-year plan and financial indicators.

The projected investment of fund balance for Fiscal 2006 is \$9.2 million. This is about \$2.2 million greater than the decrease in net assets reflected in the Financial Indicators projections prepared in March. The majority of this change comes from higher projections for utility costs (\$2.3 million), with some additional spending also included to support new leadership positions in three administrative areas: Development Office, Office of Technology Management and Human Resources. These increased expenses are partially offset by a greater than projected increase in the state appropriation of \$2.7 million. The projection for 2006 compares to a projected surplus of \$22.5 million for Fiscal 2005. The majority of the change from year-to-year is attributable to a net \$30 million of additional revenue, primarily one-time, realized in Commonwealth Medicine for Fiscal 2005.

Total operating revenues are projected to decline \$77 million in Fiscal 2006. This year-to-year change is based on the elimination of primarily one-time Commonwealth Medicine revenues. As was the case in Fiscal 2005, the campus will update the status of Commonwealth Medicine revenues for inclusion in the University's mid-year review process. No ongoing operating expenditures are based on these revenues that are dedicated to one-time capital or investment needs of the campus. In Fiscal 2005, there was an additional \$122.5 million of revenue received for Commonwealth Medicine. Taking out the impact of this item, revenue is projected to increase \$45.6 million or 8.3% in Fiscal 2006.

The majority of the additional revenue comes from the continued growth of the research program as we continue to see the return on the investments that have been made in faculty recruitment and research infrastructure. Direct (restricted) and indirect (unrestricted) revenue from Grants and Contracts is forecast to increase \$29.2 million in Fiscal 2006. Other notable increases in revenue are \$7 million in the Independent Operations line driven by an increase in revenues from reagents and royalties at the Mass Biologics Labs, and \$5.4 million in Public Service, which includes normal growth in the Commonwealth Medicine and other Public Service programs.

In non-operating revenues, the state maintenance appropriation reflects the actual allocation to the Campus, which is a 10.5% increase over Fiscal 2005. This is offset by a slight reduction in restricted state appropriations. The only other notable change from Fiscal 2005 to 2006 is a \$1 million decrease in Other Nonoperating Income, which is reflective of non-recurring royalties received from Sirna Therapeutics in 2005.

In total, operating expenses are also projected to decline due to \$92.5 of expense related to the additional Commonwealth Medicine revenue received in Fiscal 2005. Adjusting for this, operating expenses increase \$51 million, or 8.5% year-to-year. As with revenue, a significant portion of the increase in expenses is driven by the growth in research. Direct expenses on restricted funding are projected to increase 20.7 million over 2005, most of which is in the Research line. Commonwealth Medicine normal operating expenses are budgeted to grow about 3.3% or \$10.3 million.

The increase in Independent Operations expenses is driven by the Mass Biologics Lab expenses increasing by \$14 million. Half of this is a shift of funds from plant, used in Fiscal 2005 to fund the construction of the new manufacturing facility, to operating expenses in Fiscal 2006. The remaining increase relates to an increase in projected revenue and the related expenditures required to achieve this level of activity.

The other notable expense increases are in Institutional Support, Plant O&M and Auxiliary Enterprises. Institutional Support is budgeted to increase \$2.3 million, or 8.6% in Fiscal 2006. There have been recent changes in the leadership of Development, Human Resources and the Office of Technology Management and \$1.5 million of this increase reflects an investment in these departments under that new leadership. The increase in Plant O&M is \$2.3 million, or 7.2%, coming almost entirely from projected increased utility costs. Expenses in the Auxiliary Enterprises line are increasing \$3.1 million, which is 13.0% over Fiscal 2005. The entire increase is in the Shared Service areas supporting the Hospital, driven by increased utility costs as

well as increased maintenance staffing for the new Lakeside addition to the Hospital building. These are fully recovered through additional revenue from UMASS Memorial Health Care.

During Fiscal 2006, there will be a transfer to plant funds of approximately \$12 million to support ongoing campus deferred maintenance projects, the "backfill" project in the main building and new capital initiatives including space for simulation teaching technology, and an additional \$9 million to fund the completion of the façade replacement project. The use of reserves (projected at \$9.2 million) is consistent with our long-term plans for investment in research through faculty recruitment and research support expenditures. The plan is also beginning to achieve the revenue (restricted and unrestricted) benchmarks per faculty that are projected in our long-term plan.

Administrative priorities for Fiscal 2006 include the Competencies Improvement Plan that represents a renewal of the medical school curriculum that is led by the Dean and Associate Dean for Curriculum and supported by the Education Policy Committee and Curriculum Committees of the faculty. The Provost and the Continuing Education Department continue their study and development of growing on-line teaching activities as they relate to the curriculum as well as external markets. As always, providing additional space and technology for educational activities is a primary concern and goal. Investing in simulation technology and computerized learning will be a certain benchmark for achievement in Fiscal 2006. The inauguration of the campus' new doctoral program in Clinical and Population Health Services Research marks another goal that is consistent with the long-term desire to increase the campus' portfolio in clinical research. Making targeted investments in clinical research will a high priority for Fiscal 2006 and is currently a major topic of discussion with the Dean and the campus' research leadership.

Specific to the education mission, twelve additional conference rooms will be added as part of the campus modernization project and materially increase the space available for small group teaching and study. A second phase expansion will be developed as part of the planning for an 'advanced education and clinical practice building' adjacent to the new parking garage. The plan is expected to be finalized early in FY 2006.

The majority of the projected growth in the FTE employees is driven by the growth in research and Commonwealth Medicine programs. There are also small increases in FTE's in the Institutional Support and Operations & Maintenance areas mentioned above.

Enrollment will generally remain level with little or no change in the Medical and Graduate Biomedical Sciences Schools. As the Graduate Entry Pathway program in the Graduate School of Nursing becomes more established there will be an increase in the number of students, but the overall impact on enrollment will not be as large as last year when the program was first introduced.

Overall, the major issues for administrative leadership in Fiscal 2006 will be to define and execute targeted investments in priority aspects of clinical research (e.g., clinical trials, behavioral research, epidemiological/population based studies) with a focus on cardiovascular, orthopedics, cancer, and diabetes; and, the development and initiation of a final plan for build-out of an 'advanced education and clinical practice building'. These priorities will be balanced with maintenance of an appropriate level of support for basic science research technology and scientific development tools that are critical to the development of new and expanded "cores". The research "cores" are shared facilities that provide technological support to faculty research projects and serve to directly improve our faculty's performance in attracting extramural funding.

Table 1
University of Massachusetts
Worcester Campus
Fiscal Year 2006 Operating Budget Statement

	FY2006 Budgeted						
	FY 04 Actuals	FY 05 Projected Budget-Accrual/Adjusted Basis	FY 06 Budget-Accrual Basis	1-yr. change	2-yr. change		
REVENUES							
Operating Revenues							
Tuition and Fees	8,503,000	8,799,000	8,895,000	96,000	1.1%	392,000	5%
Scholarship allowance	3,147,000	2,803,000	2,673,000	(130,000)	-4.6%	(474,000)	-15%
Tuition and Fees (net of scholarship allowances)	5,356,000	5,996,000	6,222,000	226,000	3.8%	866,000	16%
Federal Grants and Contracts	118,214,000	135,883,000	158,650,000	22,767,000	16.8%	40,436,000	34%
State Grants and Contracts	27,186,000	28,413,000	29,996,000	1,583,000	5.6%	2,810,000	10%
Local Grants and Contracts	114,000	120,000	123,000	3,000	2.5%	9,000	8%
Private Grants and Contracts	37,504,000	40,089,000	44,893,000	4,804,000	12.0%	7,389,000	20%
Sales & Service, Educational	5,443,000	5,906,000	6,577,000	671,000	11.4%	1,134,000	21%
Auxiliary Enterprises	23,254,000	28,967,000	30,897,000	1,930,000	6.7%	7,643,000	33%
Other Operating Revenues:							
Sales & Service, Independent Operations	61,245,000	66,163,000	64,291,000	(1,872,000)	-2.8%	3,046,000	5%
Sales & Service, Public Service Activities	184,427,000	401,802,000	235,881,000	(165,921,000)	-41.3%	51,454,000	28%
Other	19,520,000	15,588,000	15,832,000	244,000	1.6%	(3,688,000)	-19%
Total Operating Revenues	482,263,000	728,927,000	593,362,000	(135,565,000)	-18.6%	111,099,000	23%
EXPENSES							
Operating Expenses							
Educational and General							
Instruction	36,815,000	41,027,000	41,364,000	337,000	0.8%	4,549,000	12%
Research	134,557,000	158,440,000	175,640,000	17,200,000	10.9%	41,083,000	31%
Public Service	32,040,000	29,100,000	30,352,000	1,252,000	4.3%	(1,688,000)	-5%
Academic Support	7,425,000	9,836,000	10,243,000	407,000	4.1%	2,818,000	38%
Student Services	2,122,000	3,077,000	3,438,000	361,000	11.7%	1,316,000	62%
Institutional Support	20,681,000	26,912,000	29,234,000	2,322,000	8.6%	8,553,000	41%
Operation and Maintenance of Plant	33,256,000	32,457,000	34,800,000	2,343,000	7.2%	1,544,000	5%
Depreciation and Amortization	17,246,000	17,823,000	18,714,000	891,000	5.0%	1,468,000	9%
Scholarships and Fellowships	208,000	225,000	231,000	6,000	2.7%	23,000	11%
Auxiliary Enterprises	17,652,000	23,915,000	27,029,000	3,114,000	13.0%	9,377,000	53%
Other Expenditures							
Independent Operations	28,039,000	37,987,000	57,706,000	19,719,000	51.9%	29,667,000	106%
Public Service Activities	144,163,000	322,607,000	224,119,000	(98,488,000)	-30.5%	79,956,000	55%
Total Operating Expenses	474,204,000	703,406,000	652,870,000	(50,536,000)	-7.2%	178,666,000	38%
Operating Income/(Loss)	8,059,000	25,521,000	(59,508,000)	(85,029,000)	-333.2%	(67,567,000)	-838%
NONOPERATING REVENUES/(EXPENSES)							
State Appropriations	31,785,000	36,260,000	40,255,000	3,995,000	11.0%	8,470,000	27%
Gifts	4,250,000	4,415,000	4,500,000	85,000	1.9%	250,000	6%
Investment Return	3,602,000	1,967,000	2,500,000	533,000	27.1%	(1,102,000)	-31%
Endowment Return	30,000	36,000	35,000	(1,000)	-2.8%	5,000	17%
Interest on Indebtedness	(818,000)	(814,000)	(445,000)	369,000	-45.3%	373,000	-46%
Other Nonoperating Income	10,064,000	4,526,000	3,454,000	(1,072,000)	-23.7%	(6,610,000)	-66%
Net Nonoperating Revenues	48,913,000	46,390,000	50,299,000	3,909,000	8.4%	1,386,000	3%
Income Before Other Revenues, Expenses, Gains, and Losses	56,972,000	71,911,000	(9,209,000)	(81,120,000)	-112.8%	(66,181,000)	-116%
Capital Appropriations	-	-	-	-	-	-	-
Capital Grants and Contracts	-	-	-	-	-	-	-
University Related Transactions	-	-	-	-	-	-	-
Disposal of Plant Facilities	(2,100,000)	-	-	-	0.0%	2,100,000	-100%
Other Additions/Deductions	(157,000)	-	-	-	-	157,000	-100%
Total Other Revenues, Expenses, Gains & Losses	(2,257,000)	-	-	-	-	2,257,000	-100%
Total Increase in Net Assets	54,715,000	71,911,000	(9,209,000)	(81,120,000)	-112.8%	(63,924,000)	-117%
NET ASSETS							
Net Assets at Beginning of Year	255,518,000	310,233,000	382,144,000	71,911,000	23.2%	126,626,000	50%
Net Assets at End of Year	310,233,000	382,144,000	372,935,000	(9,209,000)	-2.4%	62,702,000	20%

Table 2
University of Massachusetts
Worcester Campus
Fiscal Year 2006 Operating Budget Statement
SUMMARY OF FULL-TIME EQUIVALENT (FTE) EMPLOYEES *

	Actual FTE's Fall 2003 (FY 2004)	Actual FTE's Fall 2004 (FY 2005)	Projected FTE's Fall 2005 (FY 2006)	FTE Change	% Change
UNRESTRICTED/DESIGNATED FUNDS					
STATE FUNDED POSITIONS					
Faculty	57.0	62.0	68.0	6.0	9.7%
Professional Staff	182.0	217.0	285.0	68.0	31.3%
Classified Staff	211.0	131.0	180.0	49.0	37.4%
Subtotal, State Funded	450.0	410.0	533.0	123.0	30.0%
NON-STATE FUNDED POSITIONS					
Faculty	232.0	302.0	303.0	1.0	0.3%
Professional Staff	911.0	1,053.0	1,125.0	72.0	6.8%
Classified Staff	931.0	1,145.0	1,085.0	(60.0)	-5.2%
Subtotal, Non-State Funded	2,074.0	2,500.0	2,513.0	13.0	0.5%
Total Unrestricted/Designated	2,524.0	2,910.0	3,046.0	136.0	4.7%
RESTRICTED FUNDS					
GRANT FUNDED POSITIONS					
Faculty	318.0	321.0	325.0	4.0	1.2%
Professional Staff	682.0	707.0	733.0	26.0	3.7%
Classified Staff	186.0	174.0	176.0	2.0	1.1%
Subtotal, Grant Funded	1,186.0	1,202.0	1,234.0	32.0	2.7%
OTHER RESTRICTED POSITIONS					
Faculty				0.0	
Professional Staff				0.0	
Classified Staff				0.0	
Subtotal, Other Restricted Funds	0.0	0.0	0.0	0.0	
Total Restricted	1,186.0	1,202.0	1,234.0	32.0	2.7%
TOTAL UNRESTRICTED AND RESTRICTED	3,710.0	4,112.0	4,280.0	168.0	4.1%

* Includes Full and Part-time employees; student and other hourly employees not included. All employee counts from fall census data (Oct.).

University of Massachusetts Donahue Institute
FY2006 Operating Budget Narrative

OVERVIEW

Established by the Trustees in 1970, the University of Massachusetts Donahue Institute (the Institute) functions as a public service, outreach, and economic development unit for the Office of the President. Institute personnel work collaboratively with business and industry; local, state, and federal government; and non-profit and educational organizations.

The Institute's revenues in FY05 were \$10.1 million dollars. The \$10.1 million in FY05 is derived from the following sources: grants and contracts (including overhead), \$9.0 million; Office of the President Projects, \$448,000; and State Appropriation, \$634,000. In addition during FY05, system-wide projects supported by the Institute totaled \$327,000. With a state economy rebounding but not yet robust, the UMass Donahue Institute grew grants and contracts business primarily due to our ambitious efforts to secure federal contracts, mainly through our General Services Administration (GSA) Management, Organizational and Business Improvement Services (MOBIS) vehicle.

CAMPUS COLLABORATION

During FY05, the UMass Donahue Institute entered into several collaborations with the 5 campuses that make up the UMass system. Some examples include:

- An award from the US Department of Commerce for a grant to undertake a regional benchmarking initiative. As part of this initiative, faculty members from the Amherst, Boston, Dartmouth and Lowell campuses worked with UMass Donahue Institute staff to prepare updated social and economic profiles of the seven principal economic regions of the state;
- Working closely with the UMass Amherst's University without Walls, we assisted in the development and implementation of a bachelor's degree completion program for Early Care and Education providers. The curriculum for this program was designed in collaboration with Head Start grantees and taught by faculty members at the University of Massachusetts Amherst campus. UMass Online also collaborated in developing crucial on-line capacity;
- Along with the UMass Amherst Campus School of Public Health, Community Health Education program, we assumed responsibility for the Worcester Public School System's evaluation of the district's Safe Schools/Healthy Students (SSHS) grant;
- Collaborating with faculty from Amherst, Lowell, Dartmouth, and Boston, the UMass Donahue Institute, in partnership with the Federal Reserve Bank of Boston published the quarterly journal MassBenchmarks, providing information and relevant analysis about the health of the state economy, its performance over time and its prospects for future growth to professionals who may not be in the field of economics;
- Released a report documenting the economic contributions of Hanscom Air Force Base and the Natick Soldier Systems Center in collaboration with UMass Dartmouth Professor Clyde Barrow. The report, "More than Dollars Alone: The Economic and Security Significance of Hanscom Air Force Base and the Natick Soldier Systems Center" was commissioned by the Massachusetts Defense Technology Initiative (MassDTI)".
- Collaborating with UMass Dartmouth and UMass Boston, we released *The Marine Science and Technology Industry in New England*. The study found that the \$4.8 billion marine science industry of New England is a formidable economic engine that has the potential to prosper through investments in homeland security, oceanographic and atmospheric warning systems, allied navies, and environmental monitoring, but the industry is in danger of running aground in the global competition for investment unless it can find more highly skilled workers and research support;
- At the end of the fiscal year, we assumed the management of the Commonwealth Information Technology Initiative, Board of Higher Education k-12 initiative from the UMass Amherst campus and hired a teacher familiar with the CITI initiative and instructional technology as the project manager to move the initiative forward;
- Our Civic Initiative and Research and Evaluation Business Units and the UMass Amherst Center for Public Policy developed and conducted research to ascertain the potential for an online certificate program in public policy;

- Publishing a widely acclaimed study (*Mass. Commuting*) of commuting problems facing Massachusetts drivers with UMass Amherst Professor Robert Nakosteen and the Massachusetts Institute for a New Commonwealth (MassINC); and,
- In cooperation with Dr. Jerome Mileur of the UMass Amherst Political Science Department, we were awarded a three-year grant from the U.S. State Department's Bureau of Educational and Cultural Affairs (BECA) designed to provide a post-doctoral study of American politics and institutions for eighteen foreign scholars. Among the countries represented are Niger, Malawi, Iraq, Macedonia, France, Mexico, Canada, China, Taiwan, Vietnam, India, Sri Lanka, Saudi Arabia, Mongolia, Pakistan, Morocco, and the Czech Republic.

ORGANIZATIONAL STRUCTURE

With the addition of Corporate Training in FY05, the number of business units we operate increased to eight. They are:

1. Organizational Development and Training/State Agencies

Focus: Organizational development, training, management restructuring, talent management, future leaders training, and coaching for federal/state/local government.

Key projects and development efforts: Continued work with long term clients such as the Department of Mental Retardation, Mass Health Organization, Executive Office of Health and Human Services, Department of Environmental Protection and Department of Fire Services; Facilitated the Office of Commonwealth Development's second sustainability conference in collaboration with the Executive Office of Transportation; Provided conference logistics for the Massachusetts Developmental Disabilities Annual Legislative Reception and Department of Mental Retardation Human Rights Conference; Conducted a second offering of the Human Service Forum's Emerging Leader's Program; and implemented an offering of the new Future Leader's Institute to the public.

2. Economic and Public Policy Research

Focus: Producing high-level applied research on key economic and public policy issues facing Massachusetts and its regions that targets policy makers and business leaders.

Key projects and development efforts: MassBenchmarks, The Massachusetts State Data Center and assorted externally sponsored faculty and staff research on issues of significance to Massachusetts. Research in FY05 included; A comprehensive analysis of the Marine Science and Technology Industry in New England, Opinion Research into housing policy issues (the UMass Donahue Institute/Citizens Housing and Planning Association Housing Poll), A groundbreaking analysis of commuting patterns in Massachusetts, An analysis of the economic impact of the Otis Air National Guard Base (proposed for closure in the recent BRAC round); Custom demographic and economic projections for Blue Cross and Blue Shield of Massachusetts.

3. University of Massachusetts Center for Professional Education at Brockton

Focus: Coordinate various educational and training activities and provide job-search assistance and resources to the Brockton region.

Key projects and development efforts: In partnership with the Massachusetts Rehabilitation Commission and the Massachusetts Law Reform Institute, conducted training sessions to educate service providers on the laws governing criminal offender record information. Through CareerWorks, our One Stop Career Center for the Brockton region exceeded our annual goal of serving individual customers by over 80%. CareerWorks staff conducted three job fairs in collaboration with the Division of Career Services Rapid Response Team that attracted more than two thousand job seekers and hosted an onsite recruitment attended by over 100 employers representing industries from such sectors as health, human services, retail, warehouse, and security.

4. Research and Evaluation

Focus: Addresses clients' unique information and technical support needs through the customized application of social science methodologies, such as: formative and summative program evaluation; market research; needs assessments; survey research; and case studies.

Key projects and development efforts: External evaluator of the education and outreach activities of the Center for High-Rate Nanomanufacturing, a NSF-funded collaboration involving UMass Lowell, Northeastern University, and the University of New Hampshire. Conducted a study of youth mentoring programs in Massachusetts on behalf of Liberty Mutual, with expert input from Prof. Jean Rhodes of UMass Boston. Conducted a market survey in support of a proposed online certification program for the UMass Amherst Center for Public Policy. Supported UMass Online with analysis of marketing survey data. Provided state level evaluation and technical assistance services for 2 major programs of the Board of Higher Education – the Pipeline Program (science, technology, math, and engineering education) and Improving Teacher Quality program.

5. Defense Management Training and Education

Focus: Non-credit training in finance and management education for Department of Defense (DoD) personnel

Key projects and development efforts: Managed relationship with DoD Center and Scientific Applications International Corporation (SAIC). Conducted, in collaboration with the UMass Donahue Institute's Research and Evaluation unit, a Training Needs Assessment Survey for the Office of the Undersecretary of Defense.

6. Civic Initiative

Focus: Utilizing the University's resources to enhance the teaching of democracy and government in our schools, offering education programs in emerging democracies, and measuring the impact of democratic reform in Massachusetts.

Key projects and development efforts: In partnership with the Amherst-Pelham regional school district and the Pocumtuck Valley Memorial Association., organized and managed the Constitutional History Renewal Project (CHRP); In partnership with UMass Amherst, hosted 12 Indonesian educators for an Institute on Democracy and American Education providing participants with intensive exposure to the various providers of secondary education in the United States and an introduction to the relationships among American government, Democracy, and the American educational system. Also, in partnership with UMass Amherst, hosted 18 multi-national university faculty through the *Constituting America* program with the goal of improving the quality of teaching about the United States at universities abroad by providing participants with a richer understanding of the political development of the American nation.

7. Head Start

Focus: Provide technical assistance to over 100 Head Start and Early Head Start grantees throughout New England. In addition, provides programmatic, administrative and fiscal support to the US Department of Health and Human Services, Administration for Children and Families Region 1 Office.

Key projects and development efforts: Increase school readiness of young children in low-income families and help programs promote the highest quality of early care and education and meet all national performance standards and requirements. Work with UMass Amherst's University Without Walls and UMass Online to enhance workforce development efforts. For the national Head Start Bureau, developed and edited Head Start Self-Assessment: Your Foundation for Building Program Excellence. Designed and implemented twelve nation wide trainings for all federal and technical assistance network staff to promote utilization of the Guide.

8. Corporate Training and Education

Focus: A new business unit created in the second half of fiscal year 05. Provide leading edge management training resources for organizations including front line employees, middle and senior executives

Key projects and development efforts: Received a contract from Westborough Bank to provide customer service and sales training for seventy-five managers and front-line employees. Contract was paid with funds from the Bank plus a Division of Employment and Training Workforce grant. Marketed the Institute's research services to Blue Cross and Blue Shield who selected the Institute's State Data Center to provide BC/BS demographic and economic data and analysis in support of their recently launched strategic planning initiative.

In addition, the Institute manages special projects that are not part of our core business but offer an administrative connection to important services for the University and the Commonwealth. Examples of these special projects are the Academy for New Legislators, Commonwealth Information Technology Initiative (CITI), and Veterans Administration. The Institute and the Office of the President also receive support from a talented team of professionals and administrative staff in the areas of technology, design, finance, publications, human resources, and development.

FY 2006 OPERATIONS SUMMARY

The Institute's priorities during FY06 include:

1. Continue our support for the President's priorities (e.g., Online education, regional economic development, workforce development, Science and Technology, and resource development)
2. Seek out new federal and private sector funding opportunities consistent with the mission of the Institute, that support the President's priorities and provide an opportunity to showcase the expertise and talent of the faculty and staff of the UMass system (e.g., expanded GSA instruments, other omnibus contract instruments, US- DOL)
3. Continue the Institute's support of multi-campus and system-wide initiatives (e.g., Massachusetts Benchmarks, CITI/STEM Pipeline, Commonwealth Development, Economic Development, UMass/DMR relationship)
4. Undertake special projects for the President of the University (e.g., Academy for new Legislators, Executive Academy, speaker's series in new Alumni Club).
5. Continue to renew our grant and contract base and maintain the entrepreneurial character that has become the trademark of the Institute - currently, the Institute generates \$14.19 in grant and contract funds for every \$1 in state appropriation. In FY05, the Institute continued to be an effective and comprehensive outreach organization integrally linked to the University of Massachusetts and the Commonwealth through the Office of the President and;
6. Continue our established programs (e.g., organizational development, training and technical assistance, research and evaluation, economic research and analysis, civic initiative)
7. Continue to work with UMass Online to expand credit and non-credit course offerings as well as develop joint proposals for funding special programs.

FY05 STAFFING AND CAMPUS RESOURCES

During FY05, the Institute employed 121 people with a full-time equivalency of 101, housed at ten locations, including Amherst, Boston (5), Southbridge, Hadley, Brockton, and Shrewsbury. Core state funding supported 6 employees full time and 3 employees part time (with the remainder of their support coming from grants and contracts). The remaining Institute staff members are supported through grants and contracts or special project funds. In FY05 alone, 77 % percent of the contracts were federally funded and 19% percent were state funded. The remainder of our contract funding emanated from local and private sources.

In addition, the Institute utilized the services of 25 participating faculty spread across the five-campus system and numerous departments that generated for them almost \$300,000 in revenue. In FY05, our various projects involved 6 undergraduate and 24 graduate students from the University, providing them with over

\$185,000 in direct support. Most of the Institute's grants and contracts are won competitively, and once awarded, are generally renewed if a multi-year option is available. During FY05, the Donahue Institute administered 113 grants and contracts.

FY 2005 BUDGET REVIEW

The Institute received an appropriation of \$633,805 in general University funding and generated approximately \$9 million in grant and contract funds during FY05. These grant and contracts were used to provide technical assistance, organizational development, applied research, policy studies, conferences and training for public, private, and nonprofit agencies in Massachusetts and nationwide. Several of these projects were conducted on behalf of the Office of the President and the five-campus system.

Examples of Institute accomplishments during FY05 include:

1. Partnered with the Springfield, MA Public Schools in a successful bid to receive a second 3-year Teaching American History professional development grant. Our proposed evaluation plan for this project included a random assignment experimental design, a current high priority of the US Department of Education's Institute of Education Sciences.
2. The UMass Donahue Institute was selected by the Massachusetts Division of Career Services to be one of six vendors in Massachusetts to deliver entrepreneurial training to dislocated workers. The intensive program, which includes ten weeks of classroom study and ten weeks of implementation, provides individuals who have lost their jobs and who wish to pursue self-employment, a jump start on making their business dreams reality.
3. Provided program development consultation and facilitation for the second Office of Commonwealth Development (OCD) Conference, attended by Governor Romney, OCD Secretary and Chair Doug Foy and Transportation Secretary Dan Grabauskus and hosted by the Executive Office of Transportation.
4. Oversaw the management of the annual legislative reception and new legislator's orientation for the Massachusetts Developmental Disabilities Council for the fourth consecutive year. These events provide opportunities for over 300 individuals with disabilities, family members and advocates to educate state legislators and their aides about their priorities in legislation and various other initiatives.
5. Was selected to serve as the statewide evaluator for two major initiatives of the Massachusetts Board of Higher Education (BHE), the Pipeline Fund, funded through the state's Economic Stimulus Act of 2003, and the Higher Education Partnership, whose goal is to improve student academic achievement through initiatives that are grounded in scientific research and that provide high-quality training for teachers.
6. In partnership with Science Applications International Corporation, the Institute was awarded a contract to develop four (4) training courses for the Office of the Undersecretary of Defense (Comptroller). In addition, the Donahue Institute was awarded a separate contract to participate in the training needs assessment (TNA) survey.
7. Completed an analysis of the methods used by the US Department of Housing and Urban Development (HUD) to calculate the FY2005 Fair Market Rent levels (FMRs) for Massachusetts at the request of the Massachusetts Department of Housing and Community Development (DHCD).
8. Through a joint press event with the Massachusetts Office of Educational Quality and Accountability (EQA), The UMass Donahue Institute released a series of reports to the public surrounding our study of MCAS Achievement and promising practices in urban special education. The story was covered by a variety of local media outlets, including the State House News Service, the Attleboro Sun Chronicle, the Fall River Herald, WHYN radio, WBUR radio, WFCR radio, the Berkshire Eagle, and the Boston Neighborhood Network News. The research was also featured in an article in the December 8th edition of the national publication, Education Week.

9. Completed a survey for the UMass Amherst Campus designed to measure the potential for an online certificate program in Public Policy. The survey showed that the UMass brand did well in the survey. Seventy-four percent of the respondents said it was either very likely or somewhat likely to pursue further education at UMass.
10. Hosted 43 teachers who participated in the Teaching American History project's first year program theme: the growth of American democracy from 1800-1840 and a comparison of that growth to challenges facing emerging democracy today. The program involved eight UMass faculty members (from Amherst and Boston Campuses.) By the end of the year the teachers had received over 100 professional development points and seven of the teachers earned three graduate credits through additional work.
11. Partnered with the Metro South Chamber of Commerce to provide training on the Workforce 2020 program to The Massachusetts Association of Chamber of Commerce Executives (MACCE) and Workforce Investment Board Executives from across the state. The program was one of three across the country that was promoted by the US Chamber of Commerce.
12. Played an integral role in the development of the Head Start Bureau's new guide, *Head Start Self-Assessment: Building Your Foundation for Program Excellence*. At the technical assistance meeting in Washington, our director of the UMass Donahue Institute's Head Start Unit, along with the regional administrator for the Administration for Children and Families, presented on the guide at a workshop attended by over 100 participants.
13. Trained the Head Start federal staff and the national technical assistance (TA) network on the guide, *Head Start Self-Assessment: Your foundation for Building Program Excellence* Trainings occurred in: Boston, New York, Philadelphia, Atlanta, Chicago, Dallas, Kansas City, Denver, San Francisco, Seattle and two in Washington, DC (Native American and Migrant Head Start).
14. Conducted a poll examining the attitudes of Massachusetts residents towards housing issues for the Citizen's Housing and Planning Association (CHAPA). This poll measured the opinions of residents across the state and also had a special focus on residents of the metro west region of Massachusetts. It asked questions on affordable housing, the availability of housing for workers and the elderly, and the pressure of housing costs on household finances.
15. Made a presentation to representatives of the Boston regional office of the General Accountability Office and its national strategic initiatives team about the Institute and our opinion of the impact on the Institute's programs as a result of the 2003 census count which showed that Massachusetts was the only state in the Union to lose population.
16. Entered into an agreement with Blue Cross Blue Shield of Massachusetts to provide demographic and economic data and analysis in support of Blue Cross's recently launched strategic planning initiative. This initiative provided Blue Cross with detailed forecasts of employment in the Commonwealth's major industrial sectors as well as projections of growth in personal and disposable income.
17. Presented a symposium at the 2005 annual meeting of the American Educational Research Association. "Are We Keeping the Promise? – Standards-based Reform, High Stakes Student Assessment, and Massachusetts' At-risk Urban Students" highlighted the Institute's work with MassInsight Education over the past three years for the Keep the Promise initiative.
18. Authored an article for the national publication *Head Start Bulletin*, a journal published six times a year by the Head Start Bureau of the Administration for Children and Families. The article, titled *Head Start Self-Assessment: Your Foundation for Building Program Excellence*, includes a description of the characteristics of a high quality self-assessment, the four stages of self-assessment, and a pull-out chart displaying the process of self-assessment.
19. Managed the Academy for New Legislators held at the Amherst Campus. It was jointly sponsored by the Massachusetts Legislature and the University of Massachusetts Office of the President. Sixteen newly

elected senators and representatives participated in the training program which is intended to prepare them for their new responsibilities.

20. Supported UMassOnline with data analysis of marketing survey data and recommended additional analyses as appropriate to enhance the ability of the UMass Online Council and staff to guide marketing efforts based on survey findings.

FY2006 AND BEYOND

As the Institute looks ahead to FY06 and beyond, we anticipate continued dialogue with the Office of the President as to how we may be able to increase our support for the President's agenda and increase our own revenues despite a downturn in state funded initiatives. We hope to continue to strengthen the organization and manage complex projects and initiate new ventures, including multi-campus projects consistent with the University's goals.

Table 1
University of Massachusetts
UMass Donahue Institute for Governmental Services
Fiscal Year 2006 Operating Budget Statement

	FY 04 Actuals	FY 05 Projected Budget-Accrual/Adjusted Basis	FY2006 Budgeted		1-yr. change	2-yr. change
			FY 06 Budget-Accrual Basis			
REVENUES						
Operating Revenues						
Tuition and Fees (net of scholarship allowances)						
Federal Grants and Contracts (net of deferred revenue)	\$4,941,449	\$6,769,821	\$7,480,000	\$710,179	10.5%	\$2,538,551 51.4%
State Grants and Contracts	\$1,479,615	\$1,690,922	\$1,900,000	\$209,078	12.4%	\$420,385 28.4%
Local Grants and Contracts	\$19,860	\$53,350	\$50,000	(\$3,350)	-6.3%	\$30,140 151.8%
Private Grants and Contracts	\$739,160	\$301,636	\$500,000	\$198,364	65.8%	(\$239,160) -32.4%
Sales & Service, Educational Auxiliary Enterprises						
Other Operating Revenues: Fixed price balance transfers	\$751,480	\$596,972	\$180,000			(\$571,480) -76.0%
Sales & Service, Independent Operations						
Sales & Service, Public Service Activities						
Other: Allocation from campuses	\$63,000	\$63,000	\$63,000	\$0	0.0%	\$0 0.0%
Total Operating Revenues	\$7,994,564	\$9,475,701	\$10,173,000	\$697,299	7.4%	\$2,178,436 27.2%
EXPENSES						
Operating Expenses						
<i>Educational and General</i>						
Instruction	\$6,089,260	\$7,137,640	\$7,619,040	\$481,400	6.7%	\$1,529,780 25.1%
Research	\$1,287,225	\$1,508,846	\$1,610,610	\$101,764	6.7%	\$323,385 25.1%
Public Service	\$967,859	\$1,134,494	\$1,211,010	\$76,516	6.7%	\$243,151 25.1%
Academic Support	\$2,661	\$3,120	\$3,330	\$210	6.7%	\$669 25.1%
Student Services						\$0 #DIV/0!
Institutional Support	\$524,294	\$614,561	\$656,010	\$41,449	6.7%	\$131,716 25.1%
Operation and Maintenance of Plant						
Depreciation and Amortization						
Scholarships and Fellowships						
<i>Auxiliary Enterprises</i>						
<i>Other Expenditures</i>						
Independent Operations						
Public Service Activities						
Total Operating Expenses	\$8,871,299	\$10,398,660	\$11,100,000	\$701,340	6.7%	\$2,228,701 25.1%
Operating Income/(Loss)	(\$876,735)	(\$922,959)	(\$927,000)	(\$4,041)	0.4%	(\$50,265) 5.7%
NONOPERATING REVENUES/(EXPENSES)						
State Appropriations	\$1,031,243	\$1,018,655	\$1,059,401	\$40,746	4.0%	\$28,158 2.7%
Gifts						
Investment Return						
Endowment Return						
Interest on Indebtedness						
Other Nonoperating Income						
Net Nonoperating Revenues	\$1,031,243	\$1,018,655	\$1,059,401	\$40,746	4.0%	\$28,158 2.7%
Income Before Other Revenues, Expenses, Gains, and Losses	\$154,508	\$95,696	\$132,401	\$36,705	38.4%	(\$22,107) -14.3%
Capital Appropriations						
Capital Grants and Contracts						
University Related Transactions						
Disposal of Plant Facilities						
Other Additions/Deductions						
Total Other Revenues, Expenses, Gains & Losses	\$0	\$0	\$0			
Total Increase in Net Assets	\$154,508	\$95,696	\$132,401	\$36,705	38.4%	(\$22,107) -14.3%

Table 2
University of Massachusetts
UMass Donahue Institute for Governmental Services
Fiscal Year 2006 Operating Budget Statement
SUMMARY OF FULL-TIME EQUIVALENT (FTE) EMPLOYEES *

	Actual FTE's Fall 2003 (FY 2004)	Actual FTE's Fall 2004 (FY 2005)	Projected FTE's Fall 2005 (FY 2006)	FTE Change	% Change
UNRESTRICTED/DESIGNATED FUNDS					
STATE FUNDED POSITIONS					
Faculty					
Professional Staff	13.5	11.0	11.0	0.0	0.0%
Classified Staff	1.3	0.3	0.3	0.0	0.0%
Subtotal, State Funded	14.8	11.3	11.3	0.0	0.0%
NON-STATE FUNDED POSITIONS					
Faculty					
Professional Staff	4.5	5.8	6.0	0.2	3.4%
Classified Staff		0.6	0.5	(0.1)	-16.7%
Subtotal, Non-State Funded	4.5	6.4	6.5	0.1	1.6%
Total Unrestricted/Designated	19.3	17.7	17.8	0.1	0.6%
RESTRICTED FUNDS					
GRANT FUNDED POSITIONS					
Faculty					
Professional Staff	78.0	82.4	83.3	0.9	1.1%
Classified Staff	2.8	3.0	4.0	1.0	33.3%
Subtotal, Grant Funded	80.8	85.4	87.3	1.9	2.2%
OTHER RESTRICTED POSITIONS					
Faculty				0.0	
Professional Staff				0.0	
Classified Staff				0.0	
Subtotal, Other Restricted Funds	0.0	0.0	0.0	0.0	
Total Restricted	80.8	85.4	87.3	1.9	2.2%
TOTAL UNRESTRICTED AND RESTRICTED	100.0	103.0	105.0	2.0	1.9%

* Includes Full and Part-time employees; student and other hourly employees not included. All employee counts from fall census data (Oct.).

**University of Massachusetts Central Administration
FY2006 Operating Budget Narrative**

INTRODUCTION

The University's system administration is comprised of two major components: the President's Office and Central Administrative Services. The Office of the President of the University of Massachusetts provides overall leadership to the entire University and its five campuses pursuant to the direction of the Board of Trustees. Central Administrative Services are the shared management and fiscal services of the University, which are centrally organized through the President's Office. The following narrative provides descriptions of the function of these two components. Operational costs of the system administration are supported by funds provided by the campuses as well as other miscellaneous revenues.

PRESIDENT'S OFFICE

Primary responsibilities of the President's Office include: representation of the University to the Governor, Legislature, Executive branch agencies, state agencies, the federal government and other major external constituencies; coordination of strategic planning, academic affairs, management and fiscal affairs, information systems, legal matters, and human resources management; evaluation of the performance of chancellors and campuses; and support for the Board of Trustees. The Office manages, through the department of Management and Fiscal Affairs, the University's Central Administrative Services, which include University Information Technology Services, University Auditing, the University Budget Office, and Human Resources including labor relations, the Treasurer's Office, and the University Controller's Office. Overall planning and policy development and initiation of University-wide programs are also carried out through the President's Office. Each of the major units is described briefly below.

Academic Affairs

Responsibilities of the Office of Academic and Student Affairs include the regular coordination of five campus groups of faculty, Provosts, Librarians, Institutional Research Officers, Vice Chancellors for Student Affairs, Admissions Directors, and Financial Aid Directors to promote collaboration, cooperation, and efficient use of resources among the campuses; review and approval of all proposals for tenure; review of new academic program proposals; acting as a liaison with the Board of Higher Education; development of system-wide policies related to programs, faculty, students and other aspects of the academic mission of the University; institutional research and policy analysis related to academic and student issues; academic and strategic planning; and providing staff support for the Trustees' Committee on Academic and Student Affairs. Academic and Student Affairs staff assist students, parents, the legislature and the public on issues related to admissions, financial aid, discipline, student life, and academic policy especially in situations that involve more than one campus.

Economic Development

The Office of Economic Development serves as a central coordinator and catalyst for mobilizing the resources of the University in support of our mission to help build the innovation economy of the Commonwealth. The department serves as a focal point for system-wide economic development initiatives, a facilitator of collaborative ventures with industry and state government, and a consultant to campuses on economic development issues. Units in the department include: the Office of Commercial Ventures and Intellectual Property (CVIP); the Office of Corporate Relations; the Environmental and Energy Technology Initiative; and the Donahue Institute (the public service arm of the President's Office).

The University's primary economic roles are in five areas: workforce development ... R&D and technical partnerships with industry ... technology commercialization and business incubation ... economic research and analysis ... and regional economic development partnerships. On-going economic development initiatives include: support for the development of a state-wide science and technology strategy; participation

with Mass Insight in the conduct of an S&T roadmap study; organization of leading business executives into the President's High Tech Executive Council; planning and implementation of new S&T initiatives such as the Massachusetts Technology Transfer Center; and expanded collaboration with state agencies, particularly in the areas of economic development, renewable energy and smart growth.

Government Relations

The Office of Government Relations works with the University President, Trustees, Chancellors, campus based government relations and alumni relations staff, students and student organizations, the faculty and alumni/ae to inform both State and Federal officials on issues of importance to the entire University. The office works with these groups to craft and communicate a strategic message for the University.

University Relations and Communications

The University Relations and Communications Office disseminates information about the University of Massachusetts system, focusing on local, regional and national news media outlets. The office works collaboratively with the public relations offices on the Amherst, Boston, Dartmouth, Lowell and Worcester campuses for the purpose of developing a comprehensive understanding of the University's education, research and public service activities.

Externally, the office has been responsible for the University's award-winning television advertising campaign and interacts with the print and electronic media. The office also has an internal mission: distributing information within the five-campus system.

Management and Fiscal Affairs

The Office of Management and Fiscal Affairs works with the campus Chancellors and Vice Chancellors for Administration and Finance, and the Management Council, to assure that development and implementation of University fiscal and management policies proceed smoothly and enhance the programmatic goals of the University. The Vice President for management and Fiscal Affairs and University Treasurer directs the Central Administrative Services (University Controller, Treasurer, University Budget Director, Senior Auditor and Human Resources including Labor Relations) of the University with emphasis on aggressive accounting, auditing, payroll, and cash management strategies and ensuring the successful integration of the administrative systems (PeopleSoft). Staff support to the Board of Trustees Administration and Finance and Audit Committees consumes significant time, in order to assure that the Trustees are fully informed and involved in making policy decisions necessary to preserve the financial, control, and cash integrity of the University. This work includes the coordination and development of University financial and budget documents for presentation to the Trustees. An ongoing part of the University's approach to sound fiscal management will be continued emphasis on clearly maintained fiscal indicators.

Liaison activity with the State's Executive Office for Administration & Finance, Fiscal Affairs Division, the Division of Capital Asset Management (formerly DCPO), State Comptroller, State Treasurer and the Board of Higher Education fiscal staff will continue. The department works with members of the University community and various state agencies to coordinate a \$1.7 billion capital financing program. The University response to the State budget, revenue, and expenditure initiatives will continue to require appropriately developed University goals and objectives, negotiation, and resolution.

University Information Technology Services

University Information Technology Services (UITS) provides institutional leadership in developing and supporting high-quality, innovative solutions to the business and information needs of the administrative staff, faculty, students and other customers of the UMass five-campus system. A wide-range of information resources and information technology tools are supplied to the administrative and academic communities via centralized management of administrative computer and networked communications facilities. Centralized application development, production support, network management, resource allocation and planning are provided to deliver data, print, file transfer and customer services.

Acting as a service partner with UMassOnline, UITS supports the Centre Symposium learning management system. Through this web-based system, UMassOnline courses are enhanced with live features such as chat and voice. All online courses are supported by the IntraLearn or Prometheus servers managed by UITS. UITS also provided instrumental assistance to UMassOnline in enhancing its marketing portal.

UITS is a leader in the provision of statewide networking services to educational and other public sector clients through the enhancement and expansion of the Massachusetts Information Turnpike Initiative (MITI) network. Aided by state IT Bond funds, UITS implemented additional fiber spurs to connect the UMass campuses to the backbone and to convert the MITI network to an advanced network technology that will geometrically expand available bandwidth; this conversion meets the University's wide area network bandwidth requirements for a minimum of ten years. In addition, the MITI network was connected to the Internet2 national research network in June 2003; this connection provides UMass researchers with access to a world-class network to further their research interests.

UITS supports and manages the ongoing development and enhancement of the centralized administrative and financial systems, the UMassOnline e-learning platform, and other systems that facilitate students and employees gaining access to data through easy to use, state-of-the-art technology. UITS will continue to enhance and expand the statewide MITI network that connects all five campuses and the President's Office through additional fiber connections and technology upgrades. The network will continue to support administrative computing services, Internet access services for state and community colleges, UMass and other public libraries and state agencies, and advance the Commonwealth's distance learning agenda.

Office of the Board of Trustees

The Trustees' office enables the Board to discharge its responsibilities, in accordance with its By-Laws and policies and in fulfillment of appropriate laws and statutes of the Commonwealth. The Trustees' Office provides staff services to the Trustees. The responsibilities of this Office include establishing relevant agenda for meetings, preparation of minutes of Board and Committee meetings, providing clerical and editorial help in the writing of reports, and obtaining responses of questions from appropriate officers of the University. Response to questions may come directly from the President of the University, the Vice President concerned, or the Secretary to the Board of Trustees.

In addition to these functions, the Trustee's Office keeps current records (addresses, business affiliations, etc.) for each Trustee. The Office also makes arrangements for the Board meetings, and provides members with dates and schedules.

In general, this Office acts as an agent in Boston for the Trustees and serves as liaison between the Board and the University Administration.

Office of the General Counsel

The Office of the General Counsel is responsible for all legal matters involving the University. It renders legal advice to the Trustees, officers, and employees throughout the University; provides representation in federal and state litigation and in matters pending before federal and state agencies such as the Federal Office of Civil Rights (OCR), the Massachusetts Commission Against Discrimination (MCAD), the Office of Federal Contract Compliance, the State Labor Relations Commission, and many others; reviews or drafts policies and procedures, guidelines, regulations, and contracts; and reviews Trustee agenda items. Advice ranges across a broad spectrum of substantive law, with emphasis in administrative, constitutional, contract, labor relations, and statutory areas. The Office also approves and supervises outside counsel, who are hired by the office for such expertise as patent, taxation, and antitrust law.

CENTRAL ADMINISTRATIVE SERVICES (CAS)

The Central Administrative Services directors report to the Vice President for Management and Fiscal Affairs and obtain direction from the President's Office and the Amherst, Boston, Dartmouth, Lowell and Worcester campuses. Central Administrative Services functions are not, in general, duplicated on the campuses. Centralized management of these functions provides integrated management services, organized expertise, efficient use of resources, and consistent implementation of University policies and procedures.

Central Administrative Services functions of the President's Office provide coordinated efforts to benefit the overall University system. Tactical planning is developed with consideration for the needs of and impact on the five campuses. This University-wide purview permits common solutions and improved coordination through effective communication networks and initiation of University policies. The units of Central Administrative Services are: University Auditing, University Controller, and University Treasurer, and are physically located near the Amherst campus and in the President's Office in Boston.

University Auditor's Office

The University Auditor's Office is responsible for the coordination and monitoring of all audit matters, including internal audits, external contracted audits, and those carried out by the Office of the State Auditor and other state and federal agencies. The Office serves the Board of Trustees and management by determining levels of compliance with University policies and procedures, federal and state laws and regulations, and by evaluating the adequacy of internal control through a program of scheduled and unscheduled audits. In addition, the Office provides valuable management services by performing special projects as required throughout the University.

The Office operates coordinates campus requests for services, via co-sourcing with outside independent firms from a recently completed qualified audit firm vendor pool. UAO schedules a number of external contracted financial statement audits and assists in State Auditor Office initiated reviews. All reported results and related audit activity are communicated fully and accurately to the Audit Committee of the Board of Trustees.

University Budget Office

The Budget Office serves as central coordinating point for budgeting and reporting activities for the University. It directs the budgeting process by developing and disseminating budget parameters to the five campuses and other components of the University; develops consolidated reports and analyses of budget and other related issues; provides general and specific support to broader administrative, management and policy initiatives initiated through the President and the Vice President for Management and Fiscal Affairs; and serves as a liaison between the University and state and legislative agencies and other external parties.

The Budget Office works with the campuses to integrate strategic financial planning activities with ongoing budget, capital and other reporting activities for senior management and the Board of Trustees and reviews University policies with budgetary impact with the goal of streamlining regular budget reporting to the Board.

University Controller's Office

The major functions of the University Controller's Office include: coordination of the University's general purpose financial audits as well as the audit of federal funds; development and production of the University Financial Statements; financial policy development and financial accounting for the Office of the President, Institute for Governmental Services, and Central Administrative Services. The University Controller's Office also performs the accounting function for activities managed centrally for the University campuses. The University Controller's Office is also the liaison between the Office of the State Comptroller and the University regarding all accounting and various payroll related activities.

UCO coordinates the University's general purpose financial audit, prepares the Annual Financial Report, and directs the development of the general ledger and financial reporting structures for the Peoplesoft financial

records system, and continues the develop and review University indicators of financial health. In addition, UCO coordinates between the Commonwealth and the University with regard to the implementation of the Commonwealth's NewMMARS (New Massachusetts Management Accounting and Reporting System).

Human Resources

The Office of Human Resources provides leadership and coordination for the University in the full range of human resources functions, including overall policy development, labor relations, compensation and benefits, training, and affirmative action/equal opportunity. Acting on behalf of the Board of Trustees, which is the statutory employer of record, the office conducts or supervises negotiations with 28 collective bargaining units representing more than 10,000 employees at the five campuses. It also oversees the development of policies affecting the benefits and terms and conditions of employment exempt employees across the University.

University Treasurer's Office

The University Treasurer's Office is responsible for many finance related activities within the University System. The functions performed by the Treasurer's Office are not duplicated at the campuses resulting in an operation that is very centralized and efficient. All operational responsibilities of the University Treasurer's Office are undertaken for the benefit of the campuses and the university with an emphasis on quality and efficiency and productivity.

The functions of the University Treasurer's Office include: Cash Management, which encompasses the management and oversight of all operating cash investments for the university, the management of all banking relationships, the reconciliation of all bank accounts as well as management of the university's credit card and ATM programs.

The Treasurer's Office also maintains responsibility for risk assessment and insurance management, tax reporting and tax policy development, optional employee benefits including the tax sheltered annuity and deferred compensation programs, debt management including the administration of the University's Lease Pool as well as being primary contract signatory authority for the University.

The services provided by the University Treasurer's Office enhance the integrity of the University's financial systems by allowing the campuses to receive the benefits of consolidated systems and processes. Cost savings are generated through centralized management. In addition to cost savings, processing time is focused and efficient.

UMassOnline

Headquartered at the University's Collaborative Services Facility in Shrewsbury, UMassOnline is the University's system-wide online education consortium. UMassOnline enables the University to provide wider access to its educational programs via the Internet while increasing revenues to support its campuses. UMassOnline and the Continuing Education units at the five campuses collaboratively generated tuition revenue in excess of \$15 million and support 17,500 enrollments.

UMassOnline's mission continues to be 1) to provide access to a University of Massachusetts education to students who are unable to attend one of the campuses; 2) to serve community needs for education in critical areas of economic development, health and welfare and education; and 3) to raise revenues for support of students, faculty, teaching, outreach, and research.

To this end, the UMassOnline team supports the campuses to develop, grow and market online programs by 1) funding the development of new online programs; 2) providing faculty support, development and training; 3) providing technology support by creating and maintaining a robust platform for online learning; and 4) deploying marketing programs that will position UMass as a high-quality national player in online higher education and increase online course and program enrollments in Massachusetts, New England, national and international markets.

Currently, the University offers 45 online degree and certificate programs and 300 courses per year. These – and the many other programs that are being developed – include undergraduate degree completion, graduate study, specialty certification, non-degree enrichment and support for the K-12 system and are in disciplines including liberal arts, education, management, nursing, engineering, criminal justice, professional programs and information technology.

Table 1
University of Massachusetts
Central Administration

Fiscal Year 2006 Operating Budget Statement

(President's Office, Central Administrative Services, UITS, CVIP/MTTC, UMLonline)

	FY 04 Actuals	FY 05 Projected Budget-Accrual/Adjusted Basis	FY 06 Budget-Accrual Basis	1-yr. change		2-yr. change	
REVENUES							
Operating Revenues							
Tuition and Fees (net of scholarship allowances)	1,310,896	1,221,535	1,518,750	297,215	24.3%	207,854	15.9%
Federal Grants and Contracts	-	-	-	-	-	-	-
State Grants and Contracts	-	-	-	-	-	-	-
Local Grants and Contracts	-	-	-	-	-	-	-
Private Grants and Contracts	-	-	-	-	-	-	-
Sales & Service, Educational	-	-	-	-	-	-	-
Auxiliary Enterprises	-	-	-	-	-	-	-
Recovery of Indirect Costs	-	-	-	-	-	-	-
Allocation from campuses	21,363,241	26,792,565	27,794,515	1,001,950	3.7%	6,431,274	30.1%
Other Operating Revenues:							
Sales & Service, Independent Operations	-	-	-	-	-	-	-
Sales & Service, Public Service Activities	-	-	-	-	-	-	-
Other	1,553,520	1,408,591	1,097,311	(311,280)	-22.1%	(456,209)	-29.4%
Total Operating Revenues	24,227,657	29,422,690	30,410,576	987,886	3.4%	6,182,919	25.5%
EXPENSES							
Operating Expenses							
Educational and General							
Instruction	1,116,727	3,595,696	3,391,841	(203,854)	-5.7%	2,275,114	203.7%
Research	-	-	-	-	-	-	-
Public Service	-	-	-	-	-	-	-
Academic Support	-	-	-	-	-	-	-
Student Services	-	-	-	-	-	-	-
Institutional Support	26,359,548	27,813,960	35,550,174	7,736,215	27.8%	9,190,626	34.9%
Operation and Maintenance of Plant	437,000	407,820	380,588	(27,232)	-6.7%	(56,412)	-12.9%
Depreciation and Amortization	2,821,084	2,393,812	2,393,812	-	-	(427,272)	-15.1%
Scholarships and Fellowships	-	-	-	-	-	-	-
Auxiliary Enterprises							
Other Expenditures							
Independent Operations	-	-	-	-	-	-	-
Public Service Activities	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total Operating Expenses	30,734,360	34,211,288	41,716,417	7,505,129	21.9%	10,982,057	35.7%
Operating Income/(Loss)	(6,506,703)	(4,788,597)	(11,305,840)	(6,517,243)	136.1%	(4,799,138)	73.8%
NONOPERATING REVENUES/(EXPENSES)							
State Appropriations	4,944,608	3,600,664	4,467,248	866,584	24.1%	(477,360)	-9.7%
Gifts	25,000	29,770	25,000	(4,770)	-16.0%	-	0.0%
Investment Return	1,412,000	1,410,668	1,467,095	56,427	4.0%	55,095	3.9%
Endowment Return	214,000	-	-	-	-	(214,000)	-100.0%
Interest on Indebtedness	(471,332)	(726,462)	(726,462)	-	0.0%	(255,130)	54.1%
Other Nonoperating Income	1,902,000	221,376	200,000	(21,376)	-9.7%	(1,702,000)	-89.5%
Other	-	-	200,000	200,000	-	200,000	-
Net Nonoperating Revenues	8,026,276	4,536,016	5,632,881	1,096,865	24.2%	(2,393,395)	-29.8%
Income Before Other Revenues, Expenses, Gains, and Losses	1,519,573	(252,581)	(5,672,960)	(5,420,378)	2146.0%	(7,192,533)	-473.3%
Capital Appropriations	-	-	-	-	-	-	-
Capital Grants and Contracts	-	-	-	-	-	-	-
University Related Transactions	-	-	-	-	-	-	-
Gain/Loss on Disposal of Plant Facilities	(142,212)	(1,042)	1,000	2,042	-	143,212	-100.7%
Expended for Plant	-	-	-	-	-	-	-
Other Additions/Deductions	23,000	1,573,033	1,500,000	(73,033)	-	1,477,000	6421.7%
Transfers	-	(145)	(145)	-	-	(145)	-
Total Other Revenues, Expenses, Gains & Losses	(119,212)	1,571,846	1,500,855	(70,991)	-	1,620,067	-1359.0%
Total Increase in Net Assets	1,400,361	1,319,265	(4,172,105)				

Table 2
University of Massachusetts
Central Administration
Fiscal Year 2006 Operating Budget Statement
 (President's Office, Central Administrative Services, UITs, CVIP/MTTC, UMOOnline)
SUMMARY OF FULL-TIME EQUIVALENT (FTE) EMPLOYEES *

	Actual FTE's Fall 2003 (FY 2004)	Actual FTE's Fall 2004 (FY 2005)	Projected FTE's Fall 2005 (FY 2006)	FTE Change	% Change
UNRESTRICTED/DESIGNATED FUNDS					
STATE FUNDED POSITIONS					
Faculty	0.4	0.0	0.0	0.0	
Professional Staff	157.9	168.5	171.5	3.0	1.8%
Classified Staff	20.6	22.6	22.6	0.0	0.0%
Subtotal, State Funded	178.9	191.1	194.1	3.0	1.6%
NON-STATE FUNDED POSITIONS					
Faculty	0.0	0.0	0.0	0.0	
Professional Staff	3.5	6.9	6.9	0.0	0.0%
Classified Staff	1.1	0.4	0.4	0.0	0.0%
Subtotal, Non-State Funded	4.6	7.3	7.3	0.0	0.0%
Total Unrestricted/Designated	183.5	198.4	201.4	3.0	1.5%
RESTRICTED FUNDS					
GRANT FUNDED POSITIONS					
Faculty	0.0	0.0	0.0	0.0	
Professional Staff	0.0	0.0	0.0	0.0	
Classified Staff	0.0	0.0	0.0	0.0	
Subtotal, Grant Funded	0.0	0.0	0.0	0.0	
OTHER RESTRICTED POSITIONS					
Faculty				0.0	
Professional Staff				0.0	
Classified Staff				0.0	
Subtotal, Other Restricted Funds	0.0	0.0	0.0	0.0	
Total Restricted	0.0	0.0	0.0	0.0	
TOTAL UNRESTRICTED AND RESTRICTED	183.5	198.4	201.4	3.0	1.5%

* Includes Full and Part-time employees; student and other hourly employees not included. All employee counts from fall census data (Oct.).