

**UNIVERSITY OF MASSACHUSETTS
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**MINUTES OF THE SPECIAL MEETING OF THE
COMMITTEE ON ADMINISTRATION AND FINANCE**

**Thursday, July 14, 2016; 12:30 p.m.
University of Massachusetts Medical School
Medical School Building – Faculty Conference Room
55 Lake Avenue North
Worcester, Massachusetts**

Committee Members Present: Chair Buonomo; Vice Chair Epstein; Trustees Campbell, Collins, Fubini, Johnston, Mullan, Peters, Peyser and Reed; Chairman Woolridge; Mr. Moreau (Rep to Trustee Peyser)

Other Trustees: Trustees Carpman, Fatemi Ardestani, Feinberg and Xifaras

Committee Members Absent: Vice Chair Furman; Trustees Lee and Thomas

University Administration: President Meehan; General Counsel Heatwole; Senior Vice President Wilda; Chancellors Subbaswamy, Motley, Helm, Moloney and Collins

Faculty Representatives: Professor O’Rielly, UMass Dartmouth; Professor Shaw, UMass Medical School

Documents Used: -Tuition and Fee Policy, Doc. T92-031 (Appendix E), as amended
-FY17 Budget and Student Charges Presentation

Chair Buonomo convened the meeting at 12:30 p.m. and provided an overview of the meeting topic: the University’s FY17 budget and the proposed tuition and mandatory fees for the upcoming academic year.

Reports:

Chairs Report

Chair Buonomo commented on the October 21, 2015 budget discussion where the Administration and the Board evaluated the possibility of tuition and fee increases contingent upon the University’s state budget request. He reported that President Meehan and the Chancellors had the opportunity to highlight various investments that contribute to the systems cost drivers for the upcoming fiscal year and the need for additional revenues to support them.

Chair Buonomo noted that at the April 6, 2016 Administration and Finance meeting Senior Vice President Wilda provided an update on the University’s 5-year forecast of revenues and expenses; the needs of the University and the impact of spending and revenue decisions for the next 5 years. He then commented on the forecast’s key takeaways: University Cost drivers are

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fixed and the result of past decisions are not entirely in the University's control, as is the case with collective bargaining and fringe; and leaves little room for strategic investments in campus plans; and, the plan relies on budget reductions that inhibit the campuses from fully executing on all of their strategic initiatives even with additional tuition and fee revenues.

Chair Buonomo stated that the cost driver with the greatest impact on the University is the notion of having the state fully funding its share of collective bargaining. This would have a significant effect on affordability at the University and could help to keep tuition increases reasonable while allowing campuses to make modest investments in quality.

Chair Buonomo then announced the day's agenda.

President's Report

President Meehan provided an overview of the June 8, 2016 Administration and Finance meeting, noting that the Committee was informed of revenue reports that suggested a budget shortfall of \$450 million to \$950 million for FY17, and conversations with Legislative leaders prompted the University to lower expectations for the upcoming budget and prepare for the lowest possible appropriation. President Meehan then reported that he met with Chairman Woolridge and the Chancellors to rework the University's budget assumptions and recommend cuts that ensure that, as a system, UMass remains in balance and preserves quality.

President Meehan reported that the Conference Committee completed its work and reported a budget totaling \$39.1 billion—about \$413 million less than what either branch had originally proposed for FY17. This means a cut of approximately \$3.5 million from the previous year for the University. President Meehan stated that Governor Baker signed the state budget and vetoed an additional \$264 million from the state's budget (now totaling \$38.9 billion); no further reductions were proposed for the University's base appropriation.

President Meehan reported that the University's budget outlook for FY17 is unfavorable and fails to meet many mandatory costs. Mandatory fixed costs are increasing by more than \$100 million for FY17 such as collective bargaining, fringe, and debt service which the University must pay regardless of whether or not the state provides funding. The University has also funded financial aid and faculty lines which put additional pressure on the budget annually. He also reported on the fiscal realities and solutions recommended by the administration stating that these decisions are not taken lightly by anyone at UMass.

President Meehan stated that the decision to defer the FY17 budget discussion to a special meeting was to insure that the University had the best possible information before making any decisions that affect the students. He stated that the budget and proposed tuition increases will preserve the quality that the citizens of the Commonwealth need and expect. He also stated that the recommendations for FY17 are required based on the fiscal realities that the University, the Commonwealth, and what higher education nationally is currently faced with.

Action items:

Chair Buonomo requested the approval of the **Changes to the Tuition and Fee Policy**. He asked for questions or discussion.

It was moved and seconded.

To recommend that the Board take the following action:

To approve the revisions to the Policy T92-031 (Appendix E) Policy on the Approval Process for Tuition, Fees and other Charges Related to Trust Funds.

Associate Vice President Gorzkowicz provided an overview of the amended language for the Tuition and Fee policy. He reviewed the current Board policy which establishes approval authority for student fees and outlines four separate fee schedules to be compiled annually. The fees are categorized in four separate sections: Mandatory Student Charges; Student Fees for Revenue Based Operations; Non-mandatory Student Fees; and Administrative Charges including Sales and Services. Proposed changes to the Policy reflect fees put into five categories: Reporting Section, which is new; Tuition and Mandatory Student Charges; Student Fees for Revenue Based Operations; Non-mandatory Student fees; and Administrative Charges includes Sales and Services.

Associate Vice President Gorzkowicz reported that the category for reporting was moved from the end of the policy to the beginning and that the President will continue to review and publish fee schedules annually. Tuition was added to the mandatory student charges to be approved annually by the Board of Trustees which will eliminate reference to the curriculum support fee, student health fee, athletic fee, campus center fee and infrastructure fee, which are now included in the overall tuition amount.

Mr. Moreau, Trustee Peyser's representative asked why the partial payments (i.e., technology fees, etc.) are not rolled into the tuition. Associate Vice President Gorzkowicz reported that technology fees are revenue neutral. Chancellor Collins commented that the technology fee addresses the very large need for additional resources across the campuses; the fee goes to IT only and not IT equipment, instruction, buildings, etc. Mr. Moreau suggested that non-mandatory fees (lab fees & special academic fees) should not be broadly categorized but should be incidental. Chancellor Moloney commented that the non-mandatory fees are program specific.

The Chair asked for a vote and the motion passed unanimously.

Discussion items:

FY17 Operating Budget

Senior Vice President Wilda reported on the University's FY17 Operating Budget, Student Charges, and provided a summary to close out FY16. She stated that the final projections for FY16 will come in higher than anticipated. The state provided for over \$10 million in supplemental funds for collective bargaining to get the University caught up for the FY15 costs not previously funded

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while still facing \$10 million short from the state of fully funding its share of collective bargaining for FY15 and FY16. Senior Vice President Wilda reported that E&E initiatives have helped with budget reductions. E&E initiatives included a hiring freeze and review of all vacant positions, minimal new strategic investments, delays in equipment purchases and deferred maintenance amongst others.

Senior Vice President Wilda reported that the state's revenue pressures resulted in an FY17 appropriation for the University that is \$3.5 million less than FY16; and mandatory and fixed costs continue to rise. She stated that the University's Budget request was not funded, and the University's FY17 budget need was \$110 million based on the need to fund collective bargaining, debt and depreciation costs and financial aid. The final state budget for FY17 did not support the University's budget request; it was \$3.5 million less than the University received last year.

Budget Director Pasquini reported on the process by which the system creates the operating budget with input from the campus level as well as others. She provided an overview of the budget assumptions and cost drivers for FY17. Cost drivers that significantly impact the University's budget include salaries and fringe (including collective bargaining increases by \$40 million and fringe increases by \$42 million); staffing needs; non-personnel expenses; scholarships & fellowships; and depreciation and interest. She also reported on the required reductions that will need to take place to keep the University's budget balanced.

Discussion ensued. Trustee Collins inquired about how much the state's pension would increase and if it would have an impact on fringe. Trustee Mullan suggested that discussion around fringe should take place yearly as it is a significant cost driver. Trustee Fubini asked whether the state pays any of the University's fringe. Trustee Epstein asked the University administration to consider the big picture, and stated that scholarships and fellowships should not be increasing if the University does not have the funds; President Meehan commented that the University takes that into consideration, however, the University has a strong commitment to financial aid, and in securing the \$10.9 million in funding from the senate, the funding was contingent upon maintaining that commitment.

Mandatory Student Charges for Academic Year 2016-17 & Authorization to Allocate the FY17 State Appropriation

Senior Vice President Wilda reported on the proposed student charge increases for FY17. She stated that the student increases have been built into the budget as a resource to address approximately a quarter of the University's budget corrections needed. She emphasized that the tuition increases are not taken lightly by the University's administration.

Senior Vice President Wilda indicated that the proposed in-state undergraduate tuition increases are of \$600-\$800, ranging between a low of 4.8% increase at Dartmouth and a high 5.9% increase at Boston with Amherst and Lowell in between at 5.6% and 5.8% respectively. She reported the annual tuition totals by campus: \$14,971 (Amherst); \$13,435 (Boston); \$13,188 (Dartmouth); and \$14,307 (Lowell).

Senior Vice President Wilda reported that out-of-state undergraduate students will experience a tuition and mandatory fee increase between \$1300-\$2103 annually depending on the campus and

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assuming no financial aid. The tuition and mandatory fee increase will be between \$700-\$1200 for in-state graduate students and students of the Law School; and between \$1300-\$2153 for out-of-state graduate students. She commented that the Medical School proposed right-sizing their rates last year for new students to be more in line with other medical schools in the Northeast and will implement that plan this year. She also reported that room and board rates are increasing \$394-\$674 annually. Senior Vice President Wilda stated that the proposed tuition and fee increases for UMass are significantly lower than its peers; other New England public universities have increases up to 3.8%, and up to 4.1% for private universities. She stated that UMass continues to prioritize maintaining affordability and accessibility through investments in financial aid.

Discussion ensued. Trustee Fubini expressed his concern with process. He stated that the Committee has not performed a system-wide effort and has avoided a conversation on strategies needed to be put in place so that the University can do more with less. He also stated that the Board does not need to vote on optimization of individual campuses. President Meehan commented that in order to make a system-wide effort it takes the cooperation of the Chancellors, Provosts, and the administration and that it cannot be a unilateral effort. Trustee Fubini concurred and insisted that the administrators accelerate this effort. Chair Buonomo stated that off-setting costs cannot be done on the backs of the University's students and suggested a 3-year plan for a system-wide effort to create strategies for dealing with budget deficits. He stated that some states are using a compact plan. Trustee Epstein urged the Board to think outside the box and seek areas that the University can make reductions without detrimental effects.

Trustee Reed expressed her concern and the concerns of her peers with regard to the tuition and fee increases. She stated that the University should not sacrifice affordability. Affordability is the staple of the University. Trustee Feinberg asked the Committee to keep in mind the mission of UMass. He stated that lack of affordable options will deter students from the University. Trustee Epstein thanked the student Trustees for their feedback and stated that although he has never voted against a tuition increase and does not plan to vote against the proposed increase for FY17, he is disheartened to have to make this decision but recognizes that the University's resources are limited and that the state's support has declined. Trustee Peyser asked the Committee to understand the fiscal realities currently faced by the Commonwealth. He stated that appropriations will go up in FY17 and that the state should not be ignored or discounted for its contributions to the University for this fiscal year.

There being no further business, the meeting adjourned at 2:16 p.m.

Christina Kelley
Assistant Secretary to the Board