



## FY16 UNIVERSITY OF MASSACHUSETTS OPERATING BUDGET



**JUNE 17, 2015**



**Executive Summary**

The FY16 Operating budget for the University totals \$3.1 billion, an increase of \$149.1 million or 5.1% over the FY15 year-end projection.

(\$ in 000's)	FY13 Actual	FY14 Actual	FY15 Budget	FY15 Projected	FY16 Budget
Revenues	\$2,818,739	\$2,927,046	\$2,963,115	\$2,957,679	\$3,104,848
Expenditures	\$2,755,202	\$2,900,338	\$3,023,992	\$2,948,984	\$3,098,045
Operating Surplus / (Deficit)	\$63,537	\$26,708	(\$60,877)	\$8,695	\$6,803
Operating Margin	2.3%	0.9%	-2.1%	0.3%	0.2%

The budget reflects the unique needs of each of the System’s five campuses and the system level priorities. The budget relies on certain system-wide assumptions regarding State investments, student fees and capital planning while also accounting for individual campus needs to support enrollment and staff.

The operating margin measures whether or not the University lived within its means during the year and the level of reserves that were set aside. The Operating Margin is calculated by taking the total operating revenues (including state and federal appropriations, gifts, and investment income) less total operating expenditures (including interest expense) divided by total operating revenues. The University has a goal of achieving a positive 2.0% operating margin, but is currently experiencing a period where strategic investments being made by the University are prioritized over achieving this margin in the short term and future projections have the University achieving this goal once this period of investment has been reached.

It is important to understand that the current low operating margin is not a permanent condition and each campus must have a plan to reach a positive margin by a specific fiscal year which varies by campus. The negative margins experienced today are planned and not the result of financial mismanagement. The investments are strategic in nature and intended to make the University stronger for the long term. The investments over the last three year period have been in support of the University’s capital plan.

Investing in the University’s capital assets is essential to continuing to meet the enrollment demand, improving educational quality at all five UMass campuses and to giving our students the top-notch facilities they all deserve. The facilities at the University of Massachusetts consist of more than 27 million gross square feet, with over 300 buildings on the campuses ranging from historic to modern, from agricultural to sophisticated laboratories. Some facilities have been constructed expressly for academic purposes; others have been acquired and converted. State-of-the-art facilities allow us to attract the best and brightest students and faculty and better serve their needs. Investments in new buildings will also help the University keep pace with rapid innovation and it will help secure the Commonwealth’s position as a leader in research and development and cutting-edge technologies. Due to the age of our infrastructure, 70% of our inventory is over 30 years old, and a long period in the 1980s and 1990s of limited investment in



capital, the University found itself with a significant backlog of deferred maintenance needs that started to come due in the mid 1990s. Although the investments made have been capital in nature (i.e. borrowing), those investments have significant impacts in the annual operating budget that are seen through increases in depreciation, interest expenses and the operation of campus facilities.

In FY14 and FY15 the University advanced a funding proposal to the State aimed at establishing a more equitable solution for Massachusetts families to provide their children with an excellent, affordable education. The proposal suggested that the Commonwealth provide 50% of the cost of educating a resident undergraduate student at UMass. The State invested in this plan by providing \$40 million in each of these fiscal years in direct appropriation which resulted in additional fringe support. Overall, the State's investment in FY14 and FY15 resulted in approximately \$100 million of additional support to the University and has come close to achieving the desired result of the original 50/50 intent.

In FY15, however, the University also experienced the first year of three year Collective Bargaining agreements for which the State sets parameters and historically funds approximately 60% of the costs through State funds. With FY15 being the first year of the agreement, the University would have traditionally received a separate reserve appropriation as required by the Collective Bargaining statute (Chapter 150e). This funding was not appropriated, however and the University negotiated its contracts in good faith with its Unions but has been unable to pay the full amount owed because the State has not paid their required share contractual obligation.

The FY16 budget totals \$3.1 billion and consists of two components, which are generally administered as separate budgets because of the way the funds are generated and used.

1. Approximately 60% of the budget is for the University's core education and general operations and is supported primarily from the State appropriation and tuition and fee revenue.
2. The remaining components of the University's budget are for self-supporting activities such as grants and contracts, sales and services, and auxiliary services. These funds, by their nature, generate revenues to support their activities

The revenue and expense components of the budget are detailed in the following pages.

### ***Budget Planning Process***

The University has developed a coordinated budget planning process that allows for consistency in the assumptions surrounding certain budget inputs that affect all of the campuses while also allowing for the campus budgets to incorporate the unique qualities that affect their revenues and expenditures. This process requires the submission of four tables by each individual campus that are consolidated to provide for the University view of the fiscal year budget. The tables include:



- **Table 1 – SRECNP** –The Statement of Revenues, Expenses and Changes in Net Position format is used. Audited Financial Statements are used to include actuals for FY13 and FY14 for each campus along with FY15 projected. Each campus is required to develop an FY16 proposed budget.
- **Table 2 – Natural Classification** – In addition to the SRECNP view of the fiscal year budget, a natural classification view is included which can be useful to the readers that are not as familiar with the financial statements. The natural classification view was endorsed by NACUBO as a presentation of the budget that could be used to improve comparability between institutions. Actuals are included for FY13 and FY14 for each campus along with FY15 projected. Each campus is required to develop an FY16 proposed budget.
- **Table 3 – Employee FTEs** – FY13 and FY14 actuals along with FY15 projected employee FTEs are included. In addition, campuses are required to submit FY16 budgeted FTEs. It should be noted that the employee FTE tables are estimates used for the budget process based on a point in time and tend to fluctuate during the fiscal year.
- **Table 4 – Student Headcount and FTEs** – There are several ways to report the student population of the University since like employee FTEs, this number fluctuates throughout the fiscal year. For the purposes of the budget presentation, the Student Profile Table 7 view of student headcount and FTEs is used which reports the Fall totals. FY13 and FY14 actual student headcount / FTEs are reported along with the FY15 projected and FY16 budgeted student headcount / FTEs.

In order to ensure that consistent assumptions are made on budget inputs that impact all of the campuses, the President’s Office provides guidance to campuses at the beginning of the budget development process around tuition and fees, state appropriation, employee benefits (fringe, health and welfare, collective bargaining), investment income, debt service schedules and interest rates for new borrowing, and inflation.

For each campus, enrollment and employee FTE assumptions are unique factors that vary based on programs provided and strategic planning efforts. The assumptions included around these budget inputs are critical and therefore must account for the specific needs of each campus.

Further information on the assumptions used to develop the FY16 budget are included on the following pages along with the budget tables at both the University level and the campus level.

### ***Budget Administration Overview***

The budget is developed and administered in accordance with Board of Trustee Policy T92-031 entitled “Policy for Management of University Funds”. This policy stipulates that an annual operating budget for the University be prepared and approved by the Board of Trustees each fiscal year and that the University’s Senior Vice president for Administration & Finance is responsible for planning and coordinating the budget process for the University. In addition to



the budget, this policy specifies expenditure authority, guidelines and criteria, official records, internal controls, and reporting requirements of the University and its campuses. It also stipulates policies regarding cash management, transfers, and reserves.

From a practical standpoint, this Board policy is implemented through coordination between the Senior Vice President for Administration and Finance and Treasurer within the President's Office and the Vice Chancellor's for Administration and Finance at each of the campuses. Reporting to the Senior Vice President for Administration and Finance and Treasurer are the following departments that support the sound fiscal management of the University:

- Office of Management and Fiscal Affairs – Serves as the central coordinating point for the budget process, capital plan, debt service, reports on financial indicators and financial aid, and development and coordination of the *UMass Performance and Efficiency & Effectiveness* initiatives. This department works directly with the campuses on these efforts and also serves as a liaison to the State Administration and Legislature.
- Controller's Office – Coordinates and prepares the University's annual financial statements, manages the general ledger and financial reporting structure, develops and implements financial policies, and maintains the financial accounting for the University.
- Treasurer's Office – Responsible for University cash management and oversight, risk assessment and insurance management, and tax policy and reporting. This function is fully centralized within the President's Office and not duplicated on any campus.
- Procurement Office – Coordinates University-wide contracting, develops spend analytics for use by the campuses, develops and implements purchasing policies and guidelines compliance, and researches and implements purchasing tools and services to create efficiencies system-wide.

Board Policy [T92-031](#) can be found in its entirety using the hyperlink or on the Board of Trustee's website at <http://www.massachusetts.edu/bot/> under the "Policies and Guidelines" section of the page.

### ***Basis of Budgeting***

The University's Operating Budget is reported in a modified accrual-based budget report format. This format reflects the "view" of information that is consistent with the audited financial statement format and the annual financial indicator reporting model. In addition, the University has chosen to report the annual budget by natural classification which is useful to the readers that are not as familiar with the financial statements and also the way that the campuses develop the budget. The natural classification view improves the ability to compare between institutions and also summarizes certain expenses that are often researched such as salary and benefit costs.

### ***Budget Calendar***

The University's fiscal year, like that of the Commonwealth, is from July 1 through June 30. Throughout a given fiscal year, activities are occurring in support of reporting on the prior year, managing the current year and developing the subsequent year that make the budget cycle



continuous. At the start of the fiscal year, July 1<sup>st</sup>, the University implements the budget that has been approved by the Board of Trustees and supported by State through its separate budget process. At the same time, the University undertakes its financial projection process which develops assumptions for budget inputs and projects revenues and expenses over a five-year period. Utilizing the financial projection, the University calculates key financial ratios over the five-year period to help analyze the fiscal health of the organization and to help make current year decisions. This information is presented to the Board of Trustees at the December meeting.

During this timeframe, the University's prior year financial statements are completed. In addition, the University develops and submits its budget request for the next year to the Executive Office for Administration and Finance. This request provides an overview of current year activities as well as next year initiatives and funding needs. This information is presented to the Board of Trustees at the December meeting.

In January of each year, the Governor makes funding recommendations to the Legislature. The University also has the opportunity to request funding through the Legislative budget process through an official request that occurs in approximately February of each year. At this time, the University completes an update to its financial indicators based on completed audited financials and also conducts a comparison of financial indicators to peer institutions. This information is presented to the Board of Trustees at the February meeting.

As the State budget process progresses through the Legislature with the House budget in February and the Senate budget in May, the University progresses with their budget development process. The President's Office develops key assumptions for the campuses to ensure consistency while the campuses develop needs based on enrollment, staffing, and specific campus initiatives. This part of the process requires the submission of fee and budget tables that report on revenue and expense needs of the campuses. This information is compiled and reviewed by the President's Office and reported to the Board at the June meeting of the Board of Trustees.

Throughout the fiscal year, besides the operating budget process, several other important financial management tasks are underway including the capital plan, quarterly capital report to the Board, and annual financial aid reporting.

### ***UMass Overview***

The University is a state coeducational institution for higher education with separate campuses at Amherst, Boston, Dartmouth, Lowell and Worcester in The Commonwealth of Massachusetts (the "Commonwealth"). The University was established in 1863 in Amherst, under the provisions of the 1862 Morrill Land Grant Acts, as the Massachusetts Agricultural College. It became known as the Massachusetts State College in 1932 and in 1947 became the University of Massachusetts. The Boston and Worcester campuses were opened in 1965 and 1970, respectively. The Lowell and Dartmouth campuses (previously the University of Lowell and



Southeastern Massachusetts University, respectively) were made a part of the University by a legislative act of the Commonwealth, effective September 1, 1991.

The University's core mission is *“to provide an affordable and accessible education of high quality and to conduct programs of research and public service that advance knowledge and improve the lives of the people of the Commonwealth, the nation and the world.”*

The University's five campuses are geographically dispersed throughout the Commonwealth and possess unique and complementary missions. In addition, the University has a system-wide online education consortium called UMassOnline.

The University offers a broad spectrum of academic programs, granting Bachelor of Arts degrees in over 60 fields, Bachelor of Science degrees in over 50 fields, and bachelor's degrees in a number of other areas, including Fine Arts and Business Administration. Master of Arts degrees are granted in more than 25 fields, Master of Science degrees in over 45 fields and a variety of other master's degrees are granted in specialized areas including Education, Teaching, Business Administration and Public Health. In addition to the foregoing, the University grants Doctor of Philosophy degrees in over 50 fields, as well as Doctor of Education, Doctor of Science, Doctor of Engineering, Juris Doctor, and Doctor of Medicine degrees. The academic resources of the University are also accessible to part-time students, to local, national and international businesses, and to the general community through the continuing education programs.

Each campus of the University is accredited by NEASC, the major accrediting body for institutions of higher education in New England. The Amherst, Boston, Dartmouth, Lowell and Worcester Campuses are accredited through 2018, 2015, 2020, 2023 and 2020, respectively. The Medical School at the Worcester Campus is a member of the Association of American Medical Colleges and was given full accreditation through the 2019-2020 academic year by the LCME, the major accrediting body for programs leading to the M.D. degree. In addition to the foregoing, individual schools and academic programs are accredited by the appropriate agencies in their particular fields.

The Times Higher Education World University Rankings, considered the most rigorous and influential comparison of universities internationally, ranked the UMass system among the Top 100 universities in the world and as the No. 1 public university in New England in 2015. The Amherst campus is among US News & World Report's top 30 Public Universities in the nation and was named to Kiplinger's "100 Best Values in Public Colleges" list for 2015. The Dartmouth campus's College of Nursing was ranked in the top 10% of graduate programs by US News & World Report in 2015 and is on President Obama's Honor Roll for Community Engagement. Our Medical School at Worcester continually ranks in the top 10 nationally for primary care (US News & World Report 2015 - 5<sup>th</sup> out of 128 in the nation for primary care). UMass Lowell among US News & World Report's Top 100 public universities nationwide in 2015. The Princeton Review has included UMass Boston on its list of Best Business Schools in



2015. UMass Boston has seen significant growth and transformation and is a point of pride for us in its ability to attract a diverse population of staff and students. UMassOnline was ranked #3 for online colleges by TheBestSchools.org Adding to its world-class reputation, total research and development expenditures at the University reached approximately \$603 million in fiscal year 2014.

Under the General Laws of the Commonwealth, the University is governed by a Board of Trustees under the coordinating authority of the Commonwealth's Department of Higher Education (DHE). The day-to-day operations of the University are directed by a team of administrative officers of the University, the chief executive officer being the President of the University.

The General Laws give the University Trustees the authority to govern the University and to appoint the President, the Chancellors, and other officers and members of the professional staff. The General Laws also grant to the University Trustees the legal right to establish and manage non-appropriated funds, which funds include, for example, certain student fees, grants and contracts, and funds used to support certain self-sufficient operations within the University. The University Trustees consist of 19 voting members and three non-voting members. Seventeen voting members of the University Trustees are appointed by the Governor of the Commonwealth. One of these appointees is the Secretary of Education, as mandated by Chapter 27 of the Acts of 2008 and at least five of those appointed must be alumni of the University and one must be a representative of organized labor. Two of the voting members are full-time students of the University and three additional full-time students act as non-voting members. The student members are elected annually from each of the five campuses and the two voting student positions are rotated annually among the members representing the five campuses. The University Trustees, except for the student members, serve five-year staggered terms, and are eligible for reappointment for an additional five-year term.

The President is responsible for implementing the policies of the University Trustees and for providing leadership for the activities and operations of the University. The President's Office is responsible for the development of academic and financial policies, overall coordination of University activities, and certain University-wide operational activities, including Internal Audit, the General Counsel's office, the Treasurer's and Controller's functions, Information Systems, and Human Resources.

***UMass Performance: Accountable & On the Move***

The University released its first annual performance measurement report entitled "UMass Performance: Accountable & On the Move" in March of 2014 that uses a rating system to assess the University's progress in achieving 21 goals across six priority areas, ranging from the experiences of its students to the impact of its research to how well it manages its resources. In May of 2015, the second installment of the report was released which included the University's



progress toward achieving targets and in this year's report goals were set as to where the University want to move for the future.

The six categories that make up the 21 goals are: Student Experience & Success; Educated Workforce & Engaged Citizenry; World-Class Research & Development Enterprise; Enhanced Social Well-Being; Good Stewards of Resources; and Telling & Selling the UMass Story.

Each goal is rated on the basis of whether the University has made Excellent, Good, Some or Limited Progress in achieving the goal, when current performance is compared to the three-year trend and progress toward a target. The ratings reflect the current state of the five-campus UMass system as a whole, rather than the performance of individual campuses.

A diverse Working Group was appointed by the President and Chancellors representing every UMass campus and the President's Office with expertise in the area of academics, research, operations and finance. The charge for the Working Group was to assess and review the underlying data, develop qualitative data and provide insight in interpreting the data that was used by the Presidents Council in determining the University's progress for this annual effort.

Throughout the process, the working group maintained a holistic view drawing upon a vast amount of data that was compiled and reviewed across the UMass campuses. In some cases, qualitative data was collected to ensure that that the information reported by campuses was properly supported and contextualized. This collective set of data provided the foundation for the System evaluation.

[UMass Performance: Accountable & On the Move](#) is the latest addition to a series of published reports that provide data and describe the University's performance. The [Report on Annual Indicators](#) has been used to monitor the University's performance in a variety of key areas for more than 15 years and has been the primary source for public data on the UMass system. UMass also publishes annual reports on enrollment, faculty research, financial performance, student financial aid and other areas.

The report can be found in its entirety at the following website: <http://www.massachusetts.edu/umassperformance/>

### ***UMass: Efficiencies & Effectiveness***

As the State's public research university, we remain committed to spending our funds wisely while maintaining our commitment to quality. We continue to examine our business practices and implement meaningful, financially impactful improvements wherever possible. Even under the best fiscal conditions, the University takes its responsibility seriously for ensuring that both taxpayer and student dollars are used in the most efficient and effective manner. The University



also understands that along with fiscal responsibility we must demonstrate that we are driving efficiencies and improving quality everywhere for our students.

In FY13, the University, through its Board of Trustees created a permanent Task Force on Efficiencies and Effectiveness charged with ensuring that improving quality through more efficient and effective operations continues to be a priority for the University. The Task Force, along with the President’s Office and the campuses are working to promote a more standardized approach for cross campus coordination and oversight of the entire effort, track and report progress, and quantify the benefits to the University and its campuses.

**University E&E Projects and Savings Estimates (\$ 000’s)**

<b>2014 Report</b>	<b># Projects</b>	<b>Cost Savings</b>	<b>Cost Avoidance</b>	<b>Total Savings</b>
Purchasing Initiatives	20	\$11,540	\$24,080	\$35,620
Energy & Sustainability	33	\$13,160	\$61,624	\$74,784
IT Initiatives	70	\$4,920	\$29,120	\$34,040
<b>Subtotal</b>	<b>123</b>	<b>\$29,620</b>	<b>\$114,824</b>	<b>\$144,444</b>
<b>Other E&amp;E Initiatives</b>	<b># Projects</b>	<b>Cost Savings</b>	<b>Cost Avoidance</b>	<b>Total Savings</b>
Building Authority Initiatives	13	\$0	\$137,940	\$137,940
Campus Initiatives	112	\$59,582	\$48,318	\$104,290

In order to ensure that the University’s E&E efforts are integrated at every level within the organization, several sub-groups have been organized to focus on specific areas of business and to bring subject matter experts from each of the campuses and the President’s Office together to drive efficiency initiatives and ultimately change our practices to be more efficient and effective. The working groups include:

- IT Steering Committee – Under the leadership of Chancellor Collins of the Medical School, the IT Steering Committee meets quarterly with an aggressive agenda to identify E&E efforts from procuring IT goods and services to collaborating on system-wide efforts to developing a business strategy that improves customer service, improves operations and maximizes the use of technology to improve services University-wide.
- Strategic Energy Committee – Under the Leadership of Vice Chancellor for Administration and Finance Yestramski from the Lowell campus and the University’s Chief Procurement Officer John Healey, the Energy Committee meets quarterly with the objectives of leveraging system-wide volume for energy procurements, sharing and implementing best practices and developing standards that measure and analyze building efficiency. In addition to the Strategic Energy Committee, the UMass Sustainability Committee, comprised of the campus Sustainability/Energy Mangers and President’s Office Budget Staff has been meeting quarterly to discuss Sustainability/Energy Management topics ranging from clean energy and efficiency, to the reduction of



greenhouse gas emissions as well as: waste reduction, water conservation, green buildings, alternative fuels, efficient transportation, and recycling.

- Purchasing Council – Under the Leadership of Chancellor Motley from the Boston campus and the University’s Chief Procurement Officer John Healey, the Purchasing Council meets monthly and utilizes data to identify opportunities to leverage the University’s economies of scale. The Council evaluates whether common vendors are used on separately negotiated contracts, where common spending occurs using diverse vendors and where automation of processes may drive efficiency.
- Academic E&E – Under the leadership of President Caret and Senior Vice President Williams, the Academic E&E group meets regularly to evaluate campus practices around degree requirements, practices that promote productive and timely degree completion, curricular redesign and options available to students that can reduce time to degree, expenses or both.
- UMass Building Authority (UMBA) – Under the leadership of Executive Directive Trisha Filippone, UMBA has been aggressively working to implement best practices in borrowing by effectively managing borrowing schedules and plans and introducing more competition, a more diverse pool of project management, construction and legal teams, and bringing certain planning and legal activities in-house.
- Campus Working Groups - In addition to these working groups coordinated at the System level, each of the campuses is working to implement efficiency and effectiveness measures that are either specific to their campus needs or that may be used as a pilot that could later be implemented and benefit all of the campuses

In addition to the efforts of each of these groups to identify and implement E&E efforts both at the campus level and system-wide, the University has been working to ensure that a project inventory is maintained and that savings estimates are maintained that accurately reflect the financial impacts of our collective efforts. A database will be used to efficiently track initiatives and allow for more timely updates to project.

In addition to the overall costs saved or avoided, estimates are generated that breakout of the cost reductions and savings by the fiscal year in which they will be recognized. The first year of savings typically represents actual cost saved for that year along with any avoided costs that have been specified. The out-years of a project typically reflect the costs avoided for the life of a contract. For those initiatives that are not contract driven, a period of only 1 or 2 years is used to represent the savings even if the savings are permanent.

Through this coordinated effort, the University can ensure that the importance of these efforts is being properly communicated to the entire University and also ensure that we are consistently gathering and reporting information associated with our efforts.



***FY15 Update***

The FY15 budget has experienced several areas of uncertainty that the University has had to contend with and find ways to resolve to ensure that the financial position of each campus and the University as a whole was on as solid footing as possible throughout the course of the fiscal year.

***Mid-Year Budget Reductions***

When the Baker Administration came into office in January 2015 they quickly identified a FY15 budget gap of \$768 million to resolve using what is call 9C budget reductions. 9-C refers to the section in State Finance law that gives the Governor the unilateral authority to reduce spending when revenues are insufficient to meet expenditures. This is an emergency power that only applies to Executive Branch agencies. In order for the Governor to cut non-Executive Branch agencies he must seek legislative approval. This is usually done by filing an outside section that essentially locks up a specified amount of funding from the budgets of non-Executive branch agencies, including UMass.

In February, the Governor and his Administration & Finance team released a plan that impacted the University by reducing the direct appropriation. However, language was also included that allowed for the University to meet the reduction through a payment using University revenues (versus an appropriation reduction) which saves the University the additional loss of fringe support through a direct appropriation reduction. In addition to the University’s direct appropriation reduction, additional line items were reduced or eliminated including some new line items that were passed last summer as part of the economic stimulus legislation. In total, the University was impacted by a total of \$12.3 million in mid-year reductions to help the State meet its overall budget gap.

Dept	Line Item		Final FY15 GAA	February 9C
UMS	7100-0200	University of Massachusetts	519,005,373	(7,785,081)
EEA	2000-1207	State Climatologist	200,000	(75,000)
Dept	Line Item		C.287; Acts of 2014	February 9C
UMS	7100-0801	Earmark for Innovation Commercialization Seed Fund	2,000,000	(2,000,000)
UMS	7100-0802	Earmarks for Innovation Hub New Venture Competition and M2D2	1,500,000	(1,500,000)
UMS	7118-0101	Earmark for Marine Hydrokinetic research to be done in collaboration with UMD	1,000,000	(1,000,000)
<b>TOTAL</b>				<b>(12,360,081)</b>



*Collective Bargaining*

Since July 1<sup>st</sup>, there has been uncertainty around the State funding for its share of collective bargaining for the first year of contracts that started in FY15. The State provided parameters for negotiating the next three year contract period set for July 2014 – June 2017. The University began negotiating in good faith and once contracts were ratified, submitted them to the Governor for approval and funding. By contract and law a separate reserve account is established with funding and specific language validating the contract for that unit. For the subsequent years of the contracts, it is expected that the additional costs are built into the University’s base appropriation. For FY15, the separate reserve was never established for the University while reserves were established for the State Universities and Community Colleges. This has created uncertainty for employees as to the timing of when their negotiated raises will be paid and although some funding has been released to date to pay a small portion (\$2.2 million of the total \$13.1 million State funded portion) it has created much uncertainty around the overall budget and building the necessary base for future years.

Overall, the campuses have worked to manage their budgets and control costs wherever possible and the University was able to manage to a positive Operating Margin for FY15.

(\$ in 000's)	FY15 Budget	FY15 Projected
Revenues	\$2,963,115	\$2,957,679
Expenditures	\$3,023,992	\$2,948,984
Operating Surplus / (Deficit)	(\$60,877)	\$8,695
Operating Margin	-2.1%	0.3%

*FY16 Challenges*

While the overall economy is projected to continue its recovery in FY16, budget planning relies on a number of factors that continue to create uncertainty and therefore need to be accounted for in the planning process.

To date, the FY16 budget process significantly varies across the branches and therefore the University must be conservative in its approach to ensure that its budget is adequately funded in FY16. The Governor’s recommendation increased the University’s appropriation by \$7 million over the original FY15 budget while House budget level funded the University. Although the Senate built in an increase, that must still be negotiated through the Conference Committee to work out the final budget differences in order to produce a final budget for the Governor’s approval by July 1<sup>st</sup>. Below is a summary of the State budget action to date.

Line Item	FY14 GAA	FY15 GAA	FY15 GAA (Post 9C)	FY16 Request	FY16 Governor's	FY16 House Final	FY16 Senate Final
7100-0200 University of Massachusetts	\$478,891,873	\$519,005,373	\$511,220,292	\$578,320,320	\$526,556,901	\$518,905,373	\$537,783,500



In addition, continued uncertainty at the Federal level has led to conservative estimates for FY16 with increases only in those areas where clear commitments have been made.

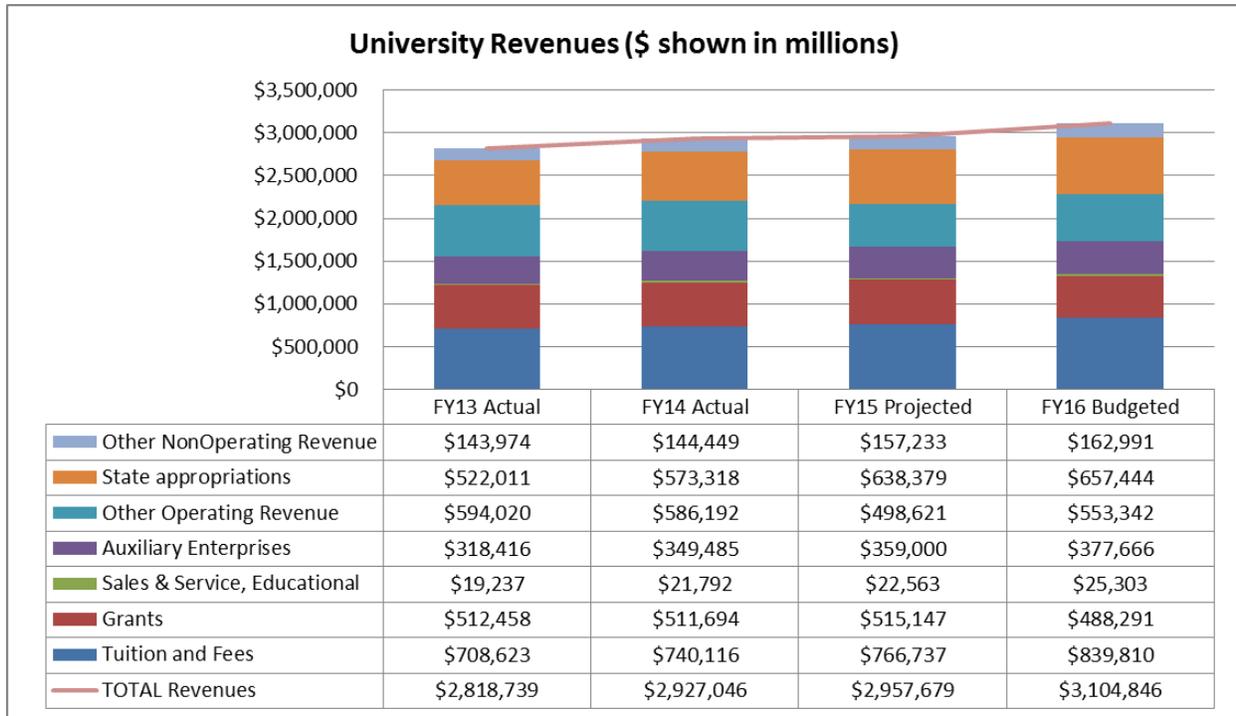
***FY16 Budget Overview***

The annual budget for the University is a plan for the fiscal year that incorporates the unique needs of each of the campuses while maintaining affordability and quality. Despite strong State support for the 50/50 plan in FY14 and FY15, costs continue to rise to support needs such as increased borrowing and employee contracts that must be factored in to the annual budget plan for FY16 without the same level of State support to offset these costs. To offset some of these non-discretionary increases, the University’s E&E efforts have achieved meaningful savings at each of the campuses that can then be used to support other increases within the budget. At the campus level, plans have been developed to achieve balance by FY18 to ensure that campuses are continuing to implement strategic planning efforts and monitor progress toward break-even.

(\$ in 000's)	FY14 Actual	FY15 Budget	FY15 Projected	FY16 Budget
Revenues	\$2,927,046	\$2,963,115	\$2,957,679	\$3,104,848
Expenditures	\$2,900,338	\$3,023,992	\$2,948,984	\$3,098,045
Operating Surplus / (Deficit)	\$26,708	(\$60,877)	\$8,695	\$6,803
Operating Margin	0.9%	-2.1%	0.3%	0.2%

***FY16 Revenue and Expenditures***

The University’s financial operations consist of five major expense categories: Educational and General, Research, Public Service, Auxiliary Enterprises, and Other. The Educational and General expense budget includes academic programs, student services programs, academic and institutional support programs, physical plant operations and financial aid. These activities are funded from student tuition and fees (except for in-state resident tuition which is remitted to the State), State appropriations, and some other smaller revenue sources. Research, Public Service and “Other” activities are funded by grants and contracts. Auxiliary Enterprises are a set of self-sufficient services ancillary to the general educational mission of the University. These include such items as dining and residence halls, student health services and parking facilities. The University reviews fees annually with the goal of having the Auxiliary Enterprises budget be self-sufficient.



The University maintains diverse revenue sources to support overall operations including revenues that directly support educational costs and revenues that support research, public service activities and self-supported or auxiliary operations. FY16 budgeted revenues total \$3.1 billion consisting of the following Operating and Non-Operating revenue sources:

- **Tuition & Fees** – This category represents all tuition and fees net of financial aid provided to students. Tuition is set by the Department of Higher Education while fees are recommended by each of the campuses and approved by the President and the Board of Trustees. During years of declining State support for the University, fees were increased to continue to support educational needs. For FY16, a 5% increase in Tuition & the Mandatory Curriculum Fee has been proposed along with increases in other specific Mandatory fees in the campuses such as the Technology Fee to support technology infrastructure needs on the campuses and Student Activities fees in support of specific campus initiatives. Increases to the tuition and fee category of revenue are also driven by changes in enrollment.
- **Grants & Contracts** – These four categories (Federal, State, Local and Private) are grants provided by these sources in support of a specific purpose that is generally tied to the Research expenses of the University. Over the past few years, campuses have experienced flat revenues or decreases in these categories due to Federal budget cuts and sequestration. The Amherst and Medical School campuses represent 74% of the total revenues in this area and have been the most impacted by the experienced reductions.



These revenues support employees and when reduced or eliminated, campuses balanced expenditures by using reserve funds, internal loans from other sources, or staff layoffs to eliminate the function.

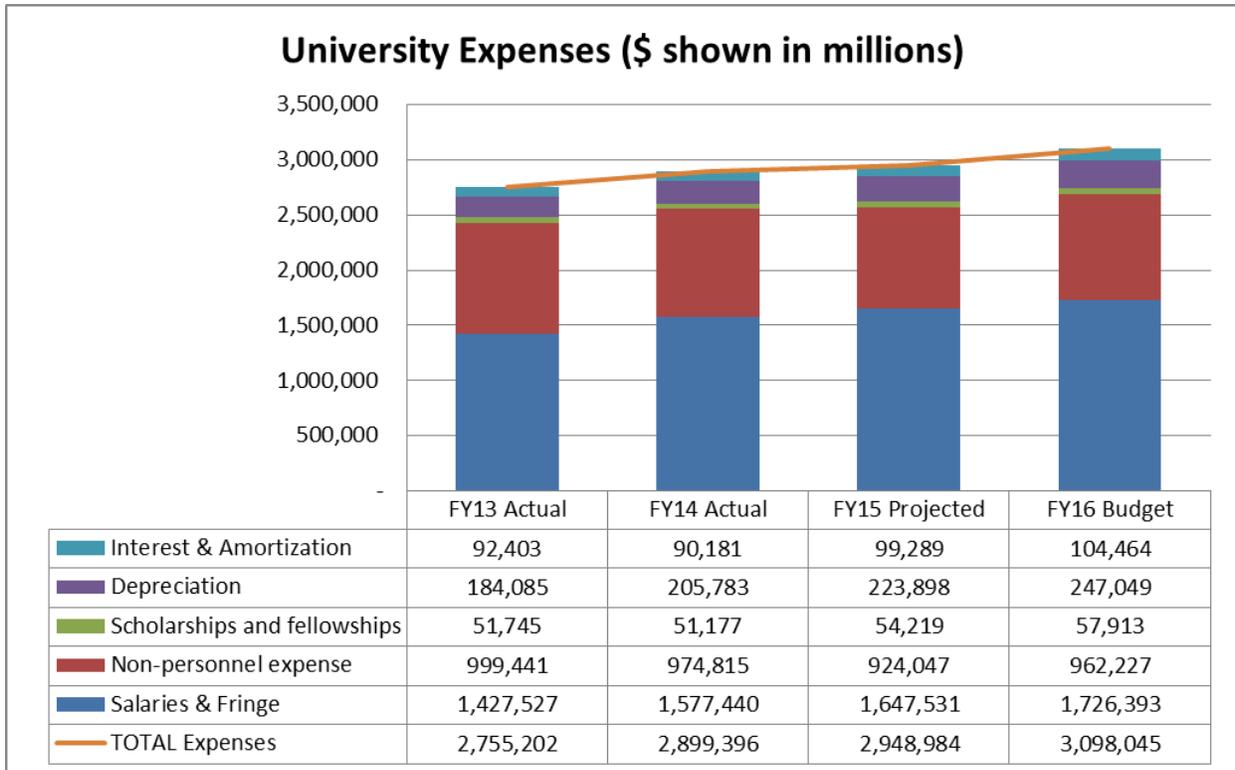
- Sales & Service, Educational – These are revenues that are related to the conduct of instruction, research, and public service and revenues from activities that exist to provide an instructional and laboratory experience for students that create goods and services that may be sold. This revenue category experiences a slight increase of \$2.7 million which is mainly attributable to the Medical School for certain Commonwealth Medicine revenues.
- Auxiliary Services – These revenues support all revenue generating operations at the campuses including Housing, Dining, Parking, and Continuing Education to name a few. Revenues are generated through fees recommended by the campuses and approved by the President. Each campus develops a budget for these services provided in order to develop reasonable rates. The goal is for all Auxiliary services to be self-supporting operations however in order to keep costs to students low and increases reasonable, some services are subsidized with general revenues. Amherst, Boston, Dartmouth and Lowell are projecting increases to this category due to fee increases and utilization.
- Other Operating Revenue – This revenue category includes Public Service Activities and consists largely of sales and services provided to third parties by the UMass Medical School campus through its Commonwealth Medicine (“CWM”) programs, which provide public consulting and services in health care financing, administration and policy to federal, state and local agencies and not-for-profit health and policy organizations. In addition to CWM activities, Public Service Activities also include payments received by the Medical School for educational services it provides to its clinical affiliate UMass Memorial Health Care, Inc. (“UMass Memorial”) as required by the enabling legislation enacted by the Commonwealth in 1997. Finally, Public Service Activity expenditures also include payments made to the Commonwealth of Massachusetts, pursuant to requirements of legislation enacted by the State. The increase in revenue in this category is from changes at the Medical School primarily as milestone revenue being realized from current contracts in place as well as business development that is projected for the coming year.
- State Appropriations – This revenue category includes the direct State Appropriation as published in the annual State budget along with fringe benefit support for State funded employees. For FY16, the University assumes the Governor’s House 1 appropriation of \$526 million. The fringe rate for FY16 has been provisionally set by the State at 29.18%. For those employees funded using the State revenues in this category, the State directly supports their fringe benefits costs.



- Gifts – This revenue consists of public and private gifts used in current operations, excluding gifts for capital acquisition and endowment gifts. The University continues to have an aggressive fundraising campaign underway.
- Return on Investments & Endowment – These two revenue categories are estimated by the Treasurer’s Office based on a five-year income projection including total projected unrealized gains. Assumptions included are the Operating Cash Return estimated at 0.80% and Quasi Return at 3.82%. Similar to the “Gifts” revenue category, the University currently has an aggressive fundraising campaign underway.
- Interest on Indebtedness – This category, shown as negative, includes the cost of bond and note borrowings utilized to finance capital projects. Principal payments are not included in this category nor are they shown on the SRECNP view of the budget. In support of the current capital plan, approximately \$1.8 billion is required from University borrowing through UMBA. To date, approximately \$1.5 billion has been issued and it is expected that the remainder will be borrowed over the next two years. For those campuses requiring additional borrowing to support their capital plan in FY15, an interest rate of 4.25% was built into borrowing assumptions.
- Other Non-Operating Income – This revenue category consists of revenues not directly associated with the primary missions of campuses and not included in another category.

Revenues (in millions)	FY13 Actual	FY14 Actual	FY15 Projected	FY16 Budgeted	\$ Change	% Change
Tuition and Fees	\$708,623	\$740,116	\$766,737	\$839,810	\$73,073	9.5%
Grants	\$512,458	\$511,694	\$515,147	\$488,291	(\$26,856)	-5.2%
Sales & Service, Educational	\$19,237	\$21,792	\$22,563	\$25,303	\$2,740	12.1%
Auxiliary Enterprises	\$318,416	\$349,485	\$359,000	\$377,666	\$18,666	5.2%
Other Operating Revenue	\$594,020	\$586,192	\$498,621	\$553,342	\$54,721	11.0%
State appropriations	\$522,011	\$573,318	\$638,379	\$657,444	\$19,065	3.0%
Other NonOperating Revenue	\$143,974	\$144,449	\$157,233	\$162,991	\$5,758	3.7%
<b>TOTAL Revenues</b>	<b>\$2,818,739</b>	<b>\$2,927,046</b>	<b>\$2,957,679</b>	<b>\$3,104,846</b>	<b>\$147,167</b>	<b>5.0%</b>

The University’s spending needs are driven by enrollment, employee costs such as collective bargaining and fringe and capital investments. All of these costs support the overall education experience of the University’s students. Although the University as a whole as well as each campus has implemented and continues to explore efficiency projects that help save meaningful dollars, costs continue to increase in the areas outlined above that must be accommodated.



- **Salaries & Fringe** – Salaries and all other compensation including health insurance and collective bargaining costs to employees including faculty and staff who are full and part time that support all campus and system office operations. This category increases by 4.8% for FY16 while approximately half is related to the value of the annualized value of collective bargaining contracts and the remainder if for faculty and staff needs of the campuses in support of specific initiatives.
- **Non-Personnel Expense** – This category includes all non-salary related expenses for campus operations such as utilities, plant operations, media services, technology and supplies to support academic instruction and student support services. This category increases by 4.1% mainly in the area of operation and maintenance of plant as new facilities are brought on line as part of the capital plan investments.
- **Scholarships and Fellowships** - The category includes grants-in-aid, trainee stipends, and tuition and fee waivers. This should not be confused with tuition and fee discounts and allowances (financial aid) that is recorded as a discount to revenues. For FY16, this category increases 6.8% mainly to support enrollment increases and the additional scholarship and fellowship opportunities needed to accommodate more students.



- Depreciation - This category includes all facility depreciation expenses in accordance with the University's capitalization and depreciation policies. For FY16, this expense grows by 10.3% due to the new facilities brought on line that must be accounted for in the campus depreciation schedules.
- Interest - This category includes the cost of bond and note borrowings utilized to finance capital projects. Principal payments are not included in this category nor are they shown on the SRECNP view of the budget. In support of the current capital plan, approximately \$1.8 billion is required from University borrowing through UMBA. To date, approximately \$1.5 billion has been issued and it is expected that the remainder will be borrowed over the next two years. For those campuses requiring additional borrowing to support their capital plan in FY16, an interest rate of 3.0% was built into borrowing assumptions.

### ***Staffing Overview***

The University employs 14,207.4 FTEs which includes full and part-time faculty, professional and clerical and maintenance support staff, of which 70% are covered by collective bargaining units including faculty, professional staff, clerical and maintenance support staff and police officers. In total, the University currently has 41 collective bargaining units (including three post-doctoral employee units, three graduate employee units and one undergraduate resident assistants unit). The University has executed collective bargaining agreements that cover the period from July 2014 through July 2017 with most of its employee unions.

For FY16, FTEs are increasing by 151 FTEs to 14,358.7 FTEs to support growth in enrollment and the campus capital plans that require support for housing programs and maintenance needs.

### ***Enrollment Overview***

Admission to the University is open to residents and non-residents of the Commonwealth on a competitive basis.

For FY16, University enrollment increases by 2.1% to 63,593 FTEs. While the Amherst, Dartmouth and Medical School enrollment remain relatively flat, Boston and Lowell are projecting increases. In Boston, efforts are being made expand while also increasing student diversity and strengthening the quality of the student body. The Lowell campus is expanding out-of-state and international enrollments, Master's and on-line enrollments and most significantly, it is expanding its overall "market share" of Massachusetts' undergraduate students while increasing student quality.

It is important to note that enrollment can be viewed in several ways including but not limited to headcount, Fall FTE and annualized FTE. For the purposes of the budget presentation, the University utilizes the Fall FTE view as published in the annual student profile. The full report of the [Annual Student Profile](http://www.massachusetts.edu/ir/irannualpublications.html) provides definitions of the various views of enrollment and can be found here: <http://www.massachusetts.edu/ir/irannualpublications.html>



Attachments:

- Table 1: SRECNP
- Table 2: Natural Classification
- Table 3: Employee FTEs
- Table 4: Enrollment
- Campus Narratives



**Table 1: SRECNP**

	FY13	FY14	FY15	FY16	FY15-16 Variance
<b>Consolidated- Statement of Revenues, Expenses and Changes in Net Assets</b>					
<b>Operating revenues</b>					
Net tuition and fees	708,623	740,116	766,737	839,810	73,074
Government grants and contracts	403,491	397,043	411,209	372,320	(38,889)
Private grants and contracts	106,714	112,428	101,669	113,630	11,961
Local grants and contracts	2,253	2,223	2,269	2,341	72
Sales and services of educational activities	19,237	21,792	22,563	25,303	2,740
Auxiliary enterprises	318,416	349,485	359,000	377,666	18,667
Other revenues	594,020	586,192	498,621	553,342	54,721
<b>Total operating revenues</b>	<b>2,152,754</b>	<b>2,209,279</b>	<b>2,162,068</b>	<b>2,284,414</b>	<b>122,346</b>
<b>Operating expenses functional</b>					
Instruction	782,049	690,635	729,543	778,081	48,538
Research	386,949	407,425	402,276	383,783	(18,493)
Public Service	68,997	77,985	64,082	65,966	1,884
Academic Support	119,864	151,001	158,801	165,306	6,504
Student Services	97,775	119,295	127,390	133,735	6,345
Institutional Support	195,871	219,920	231,738	242,395	10,657
Operation and Maintenance of Plant	183,511	214,972	225,555	237,560	12,005
Depreciation and Amortization	185,124	203,622	224,120	247,275	23,155
Scholarships and fellowships	49,731	49,242	51,850	55,052	3,202
Auxilliary Enterprises	218,710	265,080	280,485	294,422	13,937
Other Expenditures					-
Independent Operations	47,826	44,861	62,573	74,322	11,749
Public Service Activities	327,293	365,252	291,504	315,910	24,406
<b>Total operating expenses</b>	<b>2,663,700</b>	<b>2,809,289</b>	<b>2,849,917</b>	<b>2,993,807</b>	<b>143,890</b>
<b>Operating Surplues (Deficit)</b>	<b>(511,083)</b>	<b>(600,621)</b>	<b>(687,850)</b>	<b>(709,394)</b>	<b>(21,544)</b>
<b>Non-operating revenues (expenses)</b>					
Federal appropriation	6,774	7,020	7,209	7,425	216
State appropriations	519,311	570,618	635,679	654,744	19,065
Local appropriations	-	-	-	-	-
Gifts	30,044	29,013	35,875	37,267	1,391
Investment and endowment return	67,886	103,327	58,893	56,562	(2,331)
Interest expense	(91,365)	(89,496)	(99,067)	(104,238)	(5,171)
Non-operating Federal Grants	70,586	74,279	74,103	76,802	2,699
Gain (loss) on issuance/retirement of long-term debt	-	-	-	-	-
Change in value of assets held in trust	-	-	-	-	-
Other nonoperating revenue (expense)	1,425	1,046	1,060	1,080	20
<b>Total non-operating revenues (expenses)</b>	<b>604,662</b>	<b>695,807</b>	<b>713,752</b>	<b>729,641</b>	<b>15,889</b>
<b>Income (loss) before other revenues, expenses, gains or losses</b>	<b>93,579</b>	<b>95,186</b>	<b>25,902</b>	<b>20,247</b>	<b>(5,655)</b>
<b>Other revenues, expenses, gains or losses</b>					
Capital appropriations	112,581	106,932	78,650	84,803	6,153
Capital grants	42,347	27,187	29,890	19,902	(9,988)
Capital gifts	-	-	9,249	6,535	(2,715)
Gain (loss) on sale of property, plant and equipment	(8,802)	(6,198)	(6,405)	(6,077)	328
Other changes in net assets	4,453	(19,168)	20,897	510	(20,387)
Net transfers	(0)	-	(0)	-	0
<b>Total other revenues, expenses, gains or losses</b>	<b>150,579</b>	<b>108,753</b>	<b>132,281</b>	<b>105,672</b>	<b>(26,609)</b>
<b>Change in net assets</b>	<b>244,158</b>	<b>203,938</b>	<b>158,184</b>	<b>125,920</b>	<b>(32,264)</b>



**Table 2: Natural Classification**

	<u>FY13</u>	<u>FY14</u>	<u>FY15</u>	<u>FY16</u>	<u>FY15-16 Variance</u>
<b>Operating expenses</b>					
Salaries & Fringe	1,427,527	1,577,440	1,647,531	1,726,393	78,862
Non-personnel expense	999,441	974,815	924,047	962,227	38,179
Scholarships and fellowships	51,745	51,177	54,219	57,913	3,694
Depreciation	184,085	205,783	223,898	247,049	23,151
Amortization	1,039	685	222	226	5
<b>Total operating expenses</b>	<b>2,663,837</b>	<b>2,809,900</b>	<b>2,849,917</b>	<b>2,993,807</b>	<b>143,890</b>

**Table 3: Employee FTEs**

	<u>FY13</u>	<u>FY14</u>	<u>FY15</u>	<u>FY16</u>
<b>Consolidated - Employee FTEs</b>				
<b>UNRESTRICTED/DESIGNATED FUNDS</b>				
Faculty	3,516.0	3,535.0	3,620.1	3,691.4
Professional Staff	4,742.0	4,947.7	5,151.6	5,218.8
Classified Staff	4,003.9	3,677.0	3,780.8	3,810.0
<b>Total unrestricted FTEs</b>	<b>12,261.9</b>	<b>12,159.7</b>	<b>12,552.5</b>	<b>12,720.2</b>
<b>RESTRICTED FUNDS</b>				
Faculty	307.1	291.0	277.6	277.8
Professional Staff	1,365.2	1,204.6	1,134.0	1,123.3
Classified Staff	294.4	264.4	243.4	237.5
<b>Total restricted FTEs</b>	<b>1,966.7</b>	<b>1,760.0</b>	<b>1,655.0</b>	<b>1,638.6</b>
<b>Total employee FTEs</b>	<b>14,228.6</b>	<b>13,919.6</b>	<b>14,207.4</b>	<b>14,358.7</b>

**Table 4: Enrollment**

	<u>FY13</u>	<u>FY14</u>	<u>FY15</u>	<u>FY16</u>
<b>Consolidated - Student Enrollment</b>				
<b>Headcount</b>				
Undergraduate	50,203	54,671	55,399	56,458
Graduate	16,873	17,270	17,397	17,840
<b>Total headcount</b>	<b>67,076</b>	<b>71,941</b>	<b>72,796</b>	<b>74,298</b>
<b>FTEs</b>				
Undergraduate	48,135	48,892	49,725	50,706
Graduate	12,202	12,443	12,576	12,887
<b>Total FTEs</b>	<b>60,337</b>	<b>61,335</b>	<b>62,301</b>	<b>63,593</b>



# AMHERST CAMPUS

***FY16 Amherst Campus Budget Overview***

The University of Massachusetts Amherst submits for approval a Fiscal Year 2016 operating budget totaling \$1.132 billion. Key elements of the FY16 budget include:

- The FY16 State appropriation that provides an additional \$2.5 million cash increase over the beginning FY15 base appropriation as detailed in the House 1 budget.
- A 5% increase on in-state and out-of-state mandatory tuition and fees and a 5% increase in room and board. In addition, a \$250 information technology fee is being introduced to address significant deferred maintenance on the campus network infrastructure.
- Cumulative salary and stipend raises based on the negotiated collective bargaining settlements totaling \$18.5 million needed to be funded by general operating funds.
- Moderate increases in undergraduate enrollment of 84 in-state students and 150 out-of-state students through continued selectivity to yield an increased overall academic profile of the incoming students.
- Continued increases in Continuing Professional Education (CPE) program revenues providing key non-state support to the core academic areas
- Significant increases in depreciation, interest and operations and maintenance expenses as major capital projects come on-line including the Champions Center, Mass Life Sciences fit-out and renovations at DuBois Library and the School of Education.
- Total research growth including the Mass Life Sciences Center FY16 capital grant appropriation of \$24.8 million for fit-out of the Life Sciences Laboratory and Institute for Applied Life Sciences research equipment.
- New and increased differential school based fees in the College of Engineering, Isenberg School of Management and College of Natural Resources to support academic and facility enhancements.
- Administrative savings through E&E and planned reductions totaling \$5.8 million.

The funding of general unrestricted operating expenditures remains dependent on state appropriations and undergraduate tuition/fee growth with modest growth in other revenues. Planned enrollment growth is targeted only through increases in high quality students, particularly in out-of-state and international students. The campus remains committed to ensuring high quality in the delivery of research and education through:

- Increased funding for 22 new tenure track faculty hires and 16 additional lecturers to provide smaller class sizes and team based learning experiences for students.
- Continued commitment to operate and maintain facilities through a \$3 million increase in funding of physical plant and other building support services.
- Continued commitment to address deferred maintenance by investing more than \$74 million in new and renovated facilities.
- Growth in debt service of \$12 million in order to fund the \$500 million capital plan.

- Strategic academic initiatives emanating from the Joint Task Force on Strategic Outcomes such as increased support for advising, first year lecture programs, targeted unrepresented minority student recruitment and retention.
- Continued investments in initiatives funded by the President's Enhancement Funds (PEF) including:
  - Start-up costs of new tenure-stream hires in STEM fields totaling \$3 million
  - Conversion costs of large lecture classes into Team Based Learning sections totaling \$1.2 million
  - STEM graduate development programs totaling \$200,000

### ***Campus Strategic Plan***

The aggressive capital investment has reduced the deferred maintenance backlog by \$450 million since FY12 to an estimated \$1.25 Billion at the end of FY15. But future debt service obligations and on-going capital operating costs will strain the ability of the campus to invest in student success measures outlined in the strategic plan.

The campus continues implementation of the strategic plan (JTFSO) called "Innovation and Impact: Renewing the Promise of the Public Research University," which sets a broad agenda for campus planning available at

<http://www.umass.edu/provost/sites/umass.edu.provost/files/uploads/JTFSO%20Phase%20I%20Report.pdf>.

With campus goals and directions clarified, departments and administrative units have begun to assess their progress and articulate the contributions they plan to make going forward. In the fall of 2014, the Schools, Colleges, and departments drafted plans for Part I: Destination of Choice, focusing on undergraduate education. During the spring of 2015, they will develop plans for graduate education and research for Part II: Investment of Choice.

### ***FY16 Revenue and Expenditures***

In FY16 the campus continues to support the academic enterprise by increasing summer and CPE revenue, attracting more donor support and increasing enrollment. All of these initiatives, along with better retention of students, provide alternative revenue streams helping to offset required tuition and fee increases.

### ***Campus E&E Efforts***

The Amherst campus continues to optimize support for the academic mission through a variety of efficiency and effectiveness (E&E) initiatives. These initiatives span many operational areas including procurement, utility commodities, energy savings, and administrative systems. Examples include:

#### Procurement

The Amherst campus has participated in the system-wide contract initiatives which have produced over \$1 million of savings annually through combined volume discounts on items such as office supplies, Buyways contracts, travel and other items.

In addition to the system-wide contracting, the campus has found additional savings in negotiating various IT contracts including vendor donations of equipment and revenue sharing of a distributed antennae system with a wireless carrier.

### Energy

The Amherst campus continues to be a national leader in sustainability and energy conservation. Continuing investments in our state-of-the-art natural gas fired central heating plant (CHP) will provide future energy conservation and savings. Many of the investments are funded from clean energy credits received from the state for the efficient energy production on campus. With additional campus investments in energy reduction, reclaimed water and solar power, the campus expects to save over \$3.0 million in net energy costs over the four year period.

### Other Productivity Improvements

There are many initiatives implemented to improve service for our students and customers. Examples include delivering course materials through an in-house OWL system allowing students to obtain textbook material at a much reduced cost. The campus is converting our book store to an Amazon on-line enterprise to save students on text book costs and to free up valuable space on campus. Other administrative systems have been implemented to streamline management and reporting in areas such as Cleary Act and security, construction and maintenance and asbestos removal.

### E&E Summary

The Amherst campus E&E initiatives will provide over \$6 million of total savings over the four year period. These savings are the result of continuous analysis and coordination of activity throughout the campus and university system. Implementation of E&E initiatives reflects the campus' commitment to containing the cost of education for our students through the efficient use of resources.

Continued E&E savings are critical to offset the increased costs of campus investment in infrastructure. The campus issued \$190 million of long term debt in FY13 and FY14 in support of the capital plan. An additional \$180 million was issued in FY15 and another \$180 million is scheduled to be issued in FY18 to fully fund the approved capital plan.

### ***Conclusion***

The Amherst campus continues its commitment to academic excellence through its investment in faculty, students and infrastructure. These investments have produced many outstanding achievements on campus including:

- U.S. News & World Report ranked UMass Amherst as the 30<sup>th</sup> best public university in the nation. Over the past ten years, UMass Amherst is the most improved public university in the U.S. News rankings and among the top ten in improvement in categories of faculty resources, graduation and retention rates, and student selectivity. In addition,

the university is ranked by U.S. News as the 25<sup>th</sup> most efficiently run university and as Kiplinger's 100 Best Values.

- The campus is fitting out the LSL II with state-of-the-art equipment and facilities as part of the \$95 Million Massachusetts Life Sciences grant.
- Once again, applications increased as more than 37,000 students applied for 4,650 seats in the fall 2014 entering class. Academic quality stands at an all-time high with combined SATs at 1218 and high school GPAs at 3.78.
- The state-of-the-art Commonwealth Honors College Residential Community continues to attract the best students from around the world with SATs at 1357 and GPAs at 4.21.
- The LEED-Gold certified Integrative Learning Center opened in fall 2014 providing 150,000 square feet of space for advance team based learning classrooms, a broadcast studio and new home for journalism, communications and linguistics programs. This state of the art building was funded with \$65 Million of state capital appropriation and \$20 Million of campus based funds.
- A successful UMASS Rising capital campaign that has exceeded the total goal of \$300 Million more than a year early.

These successes require continued revitalization of the campus infrastructure, academic pedagogy, and research enterprise-all of which are funded in the FY16 operating budget. With the loss in FY16 of state support for collective bargaining, the campus will need to once again rely on tuition and fee increases in order to fund these critical investments. The FY16 operating budget reflects the commitment to continued success as the flagship campus of the Commonwealth.

Attachments:

- Table 1: SRECNP
- Table 2: Natural Classification
- Table 3: Employee FTEs
- Table 4: Enrollment



Table 1: SRECNP

	FY13	FY14	FY15	FY16	FY15-16 Variance
<b>Amherst- Statement of Revenues, Expenses and Changes in Net Assets</b>					
<b>Operating revenues</b>					
Net tuition and fees	323,331	337,767	343,421	368,803	25,382
Government grants and contracts	110,664	113,910	108,977	108,293	(683)
Private grants and contracts	30,547	30,950	33,085	34,326	1,240
Local grants and contracts	316	346	346	346	-
Sales and services of educational activities	8,615	8,089	8,511	8,962	451
Auxiliary enterprises	195,577	214,759	226,271	235,970	9,699
Other revenues	19,225	16,137	16,695	18,546	1,851
<b>Total operating revenues</b>	<b>688,275</b>	<b>721,958</b>	<b>737,306</b>	<b>775,246</b>	<b>37,941</b>
<b>Operating expenses functional</b>					
Instruction	294,707	312,844	336,108	359,114	23,006
Research	103,727	108,825	110,478	113,463	2,985
Public Service	24,882	26,140	23,184	23,629	445
Academic Support	56,305	58,108	62,067	63,538	1,471
Student Services	49,763	52,163	54,613	56,517	1,904
Institutional Support	59,033	64,305	67,291	68,250	959
Operation and maintenance of plant	77,610	84,162	88,961	94,090	5,129
Auxiliary enterprises	164,212	174,666	188,635	196,750	8,115
Scholarships and fellowships	22,115	20,991	21,290	22,665	1,375
Depreciation and amortization	71,259	82,687	92,201	102,971	10,770
<b>Total operating expenses</b>	<b>923,613</b>	<b>984,891</b>	<b>1,044,828</b>	<b>1,100,987</b>	<b>56,159</b>
<b>Operating Surpluses (Deficit)</b>	<b>(235,673)</b>	<b>(262,933)</b>	<b>(307,522)</b>	<b>(325,741)</b>	<b>(18,218)</b>
<b>Non-operating revenues (expenses)</b>					
Federal appropriation	6,774	7,020	7,209	7,425	216
State appropriations	241,423	272,676	305,623	310,272	4,649
Local appropriations	-	-	-	-	-
Gifts	13,950	16,139	16,190	16,929	739
Investment and endowment return	25,730	38,292	20,803	20,979	176
Interest expense	(25,428)	(25,609)	(28,814)	(31,264)	(2,450)
Non-operating Federal Grants	23,867	25,338	24,459	24,778	319
Gain (loss) on issuance/retirement of long-term debt	-	-	-	-	-
Change in value of assets held in trust	-	-	-	-	-
Other nonoperating revenue (expense)	(477)	(2)	(2)	(2)	-
<b>Total non-operating revenues (expenses)</b>	<b>285,839</b>	<b>333,854</b>	<b>345,468</b>	<b>349,116</b>	<b>3,649</b>
<b>Income (loss) before other revenues, expenses, gains or losses</b>	<b>50,166</b>	<b>70,921</b>	<b>37,945</b>	<b>23,376</b>	<b>(14,570)</b>
<b>Other revenues, expenses, gains or losses</b>					
Capital appropriations	52,934	46,191	20,000	23,753	3,753
Capital grants	3,226	8,473	14,645	14,547	(98)
Capital gifts	-	-	-	-	-
Gain (loss) on sale of property, plant and equipment	(3,978)	(4,053)	(4,881)	(4,874)	7
Other changes in net assets	(2,718)	(8,701)	(700)	(200)	500
Net transfers	(0)	-	(0)	-	0
<b>Total other revenues, expenses, gains or losses</b>	<b>49,464</b>	<b>41,910</b>	<b>29,064</b>	<b>33,226</b>	<b>4,162</b>
<b>Change in net assets</b>	<b>99,630</b>	<b>112,831</b>	<b>67,009</b>	<b>56,602</b>	<b>(10,408)</b>

**Table 2: Natural Classification**

	FY13	FY14	FY15	FY16	FY15-16 Variance
<b>Operating expenses</b>					
Salaries & Fringe	571,612	591,485	628,680	661,810	33,130
Non-personnel expense	258,962	286,882	302,657	313,541	10,884
Scholarships and fellowships	22,115	20,991	21,290	22,665	1,375
Depreciation	71,259	85,533	92,201	102,971	10,770
Amortization	-	-	-	-	-
<b>Total operating expenses</b>	<b>923,948</b>	<b>984,891</b>	<b>1,044,828</b>	<b>1,100,987</b>	<b>56,159</b>

**Table 3: Employee FTEs**

	FY13	FY14	FY15	FY16
<b>Amherst - Employee FTEs</b>				
<b>UNRESTRICTED/DESIGNATED FUNDS</b>				
Faculty	1,427.6	1,453.1	1,513.8	1,552.1
Professional Staff	1,293.1	1,422.0	1,444.0	1,459.2
Classified Staff	2,029.2	1,980.8	2,087.8	2,093.3
<b>Total unrestricted FTEs</b>	<b>4,749.9</b>	<b>4,855.9</b>	<b>5,045.6</b>	<b>5,104.6</b>
<b>RESTRICTED FUNDS</b>				
Faculty	30.0	29.2	21.9	21.9
Professional Staff	312.2	244.6	220.3	220.3
Classified Staff	66.9	69.6	98.2	98.2
<b>Total restricted FTEs</b>	<b>409.1</b>	<b>343.4</b>	<b>340.4</b>	<b>340.4</b>
<b>Total employee FTEs</b>	<b>5,159.0</b>	<b>5,199.3</b>	<b>5,386.0</b>	<b>5,445.0</b>

**Table 4: Enrollment**

	FY13	FY14	FY15	FY16
<b>Amherst - Student Enrollment</b>				
<b>Headcount</b>				
Undergraduate	21,928	22,134	22,252	22,472
Graduate	6,308	6,384	6,383	6,383
<b>Total headcount</b>	<b>28,236</b>	<b>28,518</b>	<b>28,635</b>	<b>28,855</b>
<b>FTEs</b>				
Undergraduate	21,954	22,219	22,382	22,602
Graduate	4,793	4,789	4,716	4,716
<b>Total FTEs</b>	<b>26,747</b>	<b>27,008</b>	<b>27,098</b>	<b>27,318</b>



# BOSTON CAMPUS



### ***FY16 Boston Campus Budget Overview***

The strategic goals of the University of Massachusetts Boston (“UMass Boston”) are articulated in “Fulfilling the Promise”, the strategic plan of the institution since 2010. UMass Boston is committed to supporting access and opportunity through growing enrollment, expanding programs, improving student success, and enhancing its international reach and status as a research university. To support these aspirations, the University is: (a) investing in services to support higher enrollment, retention, and graduation rates, (b) sustaining and renewing the physical and information technology infrastructure; (c) increasing financial flexibility through the prudent use of debt and the management of reserves and investments, and (d) building a stable and sustainable planning and budgeting process. All these efforts are focused on ensuring all resources are allocated in support of the mission and strategic goals of the institution.

UMass Boston submits for approval a fiscal year 2016 (“FY16”) operating budget of \$389.0 million. Key elements of the FY16 budget include:

- Enrollment of 17,263, 3% higher than last fall
- Net tuition and fee revenue of \$186.2 million, an increase of \$17.1 million and 10.1% over last year
- A proposed 5.0% increase in undergraduate mandatory fees, a 6.3% to 6.4% increase in graduate fees; an information technology fee increase from \$100 to \$250 per semester, with most other fees being held flat.
- Moderate growth in state support, \$3.9 million
- Continued investment in the campus master plan, with the opening of the General Academic Building #1 (GAB1) in spring 2016 and progress on GAB2 and major renovations and maintenance projects throughout the campus
- Continued support for efficiency and effectiveness initiatives
- Continued alignment of financial performance with the external environment and UMass system priorities

### ***Campus Strategic Plan***

UMass Boston’s strategic plan, Fulfilling the Promise, begins as follows:

“The year is 2025. At the University of Massachusetts Boston, a great public urban research university, we honor our origins as a teaching institution and our tradition of public service. At the same time, we have taken bold steps to grow in stature as a sophisticated research university, and to play a distinguished part on the global stage. We have become the university our founders destined us to be in their original statement of purpose: well equipped to provide opportunities truly “equal to the best.”

The FY16 budget reflects these high ambitions and many years of thoughtful and detailed planning that must support such aspirations. It specifically represents steps we must take to maintain our progress toward the critical and appropriate goals of Fulfilling the Promise:



- To advance student success and development by improving retention and graduation rates, strengthening our faculty, opening residence facilities, and establishing an honors college.
- To enrich and expand academic programs and research by developing new academic programs, extending our offerings to new markets, and enhancing our research enterprise.
- To improve the learning, teaching, and working environment with new academic buildings and with programs to nurture and retain the best faculty and staff.
- To establish a financial resources model consistent with our vision statement through wisely managed enrollment increases that include more out-of-state and international students, through working to secure additional funding, and through strengthening review and reallocation processes.
- To develop an infrastructure supportive of the preceding goals through processes for prioritizing short- and long-term space needs, reviews of administrative systems and organizational structures, a strengthened communication strategy, and a robust technology infrastructure.

Activities in support of the strategic plan are closely interlocked, and the success of one undertaking must invariably be tied to the successes of many others. In keeping with sound planning practice, our implementation process includes many mechanisms for monitoring progress and making adjustments and to ensure steady progress toward our goals.

### ***FY15 Highlights***

UMass Boston is projecting that FY15 financial performance will be favorable as compared to budget. Premised on year-to-date revenue and expense results, and System Office guidance on state support, the operating margin will be in line with historical trends. The delay in opening the Integrated Science Complex (“ISC”), better information on the depreciation associated with the ISC, lower interest expense, and longer than normal delays in hiring are the primary factors contributing the lower than expected spending in FY15.

### ***FY16 Revenue and Expenditures***

UMass Boston expects financial performance in FY16 is forward-looking, in that deficit spending will support investments that will yield results in future years. The operating margin deficit is expected to be (\$2,644) and (0.7%). Revenue growth is expected to be healthy, premised on enrollment growth and mandatory fee increases. The rate of growth in expenses will exceed revenue, fueled by costs related to collective bargaining, new building depreciation and operating costs, tenure-stream faculty hiring, and interest expense.



*Revenue Drivers*

State Support

The FY16 budget reflects a \$3.9 million increase in state support, based on recent System Office guidance. Collective bargaining on state-funded employees is \$3.3 million of the increase, with higher fringe benefit support, \$2.3 million, offset by higher waivers and remitted tuition due to enrollment growth.

Enrollment Growth

While maintaining the diversity and quality of our student body, UMass Boston expects to enroll increasing numbers of students in FY16 and future years. FY16 is based on an average annual growth rate of 3% with a fall enrollment (HCT) of 17,263 students. Higher enrollment will be realized through greater numbers of out-of-state and graduate students, and will also benefit from strategic investments in advising and other “start on track/stay on track” retention activities.

*Expense Drivers*

Employee compensation

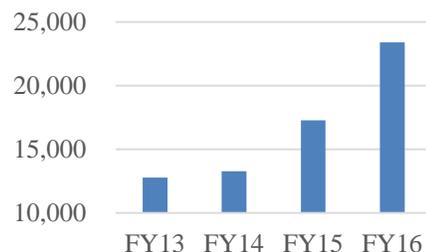
Salaries and fringe benefits comprise approximately 66% of total annual spending. In FY16, total expense in these areas is forecast at \$258.3 million. The FY16 budget includes \$5.7 million to support cost of living and merit increases (both state and locally-funded employees), as well \$350 thousand for compensation (market) adjustments and salary chart adjustments.

Campus Master Plan

Over the next several years, UMass Boston will continue work on six major capital projects which will transform the campus. The projects are necessary to remedy serious construction deficiencies from the past, bring teaching and learning spaces up to current pedagogical standards, and support the research enterprise. The projects are GAB1, GAB2, utility corridor and roadway relocation (UCRR), renovations to existing academic buildings, and demolition of the Science Center and substructure.

The opening of new buildings, the ISC in January 2015 and GAB1 in January 2016, is one of the larger cost drivers in comparing FY16 to prior year expense. New building-related expense includes facilities staffing; energy, cleaning and other operational activities; and depreciation on the new facilities and equipment. Depreciation has been modest over the past several years, as the original buildings pass their useful lives. FY15 marked the first of several years of significant growth in depreciation due to new building openings.

Table 1: Depreciation Trends (\$000)





The FY16 budget also reflects debt service payments in support of these projects, \$10.9 million, along with capital appropriations from the Commonwealth, \$8.7 million.

The planned investment in the physical infrastructure is demonstrated in the accumulation of unrestricted reserves over the past several years. In FY16 through FY18, reserves will be invested in capital assets supporting the mission of the University.

#### Financial Aid

The commitment of UMass Boston to access is reflected in financial aid available to students with financial need. Consistent with the UMass Pledge, UMass Boston will continue to meet approximately 90% of the financial need of MA resident students. Total institutional financial aid in support of this commitment is expected to be \$20.9 million in FY16, equal to about 5% of total expenditures. The budget reflects an increase in financial aid corresponding to enrollment growth and mandatory fee increases.

#### Operating Margin

Consistent with prior multi-year forecasts, the FY16 budget reflects spending in excess of current year revenue as the University continues investments in both the strategic and capital master plans. The expected operating margin in FY16 is (0.7%). Over the past several years, operating margin has consistently been in the range of 1.9% to 2.1%.

#### ***Campus E&E Efforts***

UMass Boston is committed to supporting efficient and effectiveness initiatives led by the System Office and continually reviewing policies and practices to ensure best practices are deployed whenever possible.

With the leadership of Chancellor Motley, as the Board of Trustees liaison for the UMass Purchasing Council, the campus has worked closely with the UMass Purchasing Council to review spend data to identify opportunities for joint, system-wide contracts. UMass Boston has also benefitted from system-wide procurements for office supplies, net excess generation credits, and natural gas. The campus continues to accrue benefits realized with the use of BuyWays, another UMass System initiative.

On the UMB campus, there are a number of either projected or ongoing energy conservation measures, as well as utility incentive programs. The recently opened ISC includes high efficiency lighting, daylight harvesting, occupancy sensors, lab airflow reducers, variable speed drives and building envelope upgrades. Annual savings and cost avoidance of over \$240,000 are projected, along with incentive payments (NSTAR and National Grid) of over \$290,000. Two other long term projects, the UCRR and GAB1, are under review by NSTAR and National Grid for efficiency opportunities and available incentives.



### ***Staffing Overview***

In FY16, employee FTE (fall) is projected to be 2,165: 2,010 supported with unrestricted funding and 155 supported with restricted funding. Total compensation is projected to be \$258.2 million, reflecting costs for permanent, temporary, part-time, full time, including new collective bargaining costs.

Three factors driving personnel costs in the upcoming fiscal year include:

- Estimated collective bargaining cost increases (3.5%)
- New tenure-stream faculty
- Facilities staffing for the new buildings

Consistent with the strategic plan and prior year forecasts, the University continues to increase the number of full-time, tenure track faculty. Tenured-track faculty support growth in enrollment, new and expanding programs, and initiatives to enhance student retention and success. The FY16 budget includes \$2.4 million for 30 new tenure-track faculty positions, along with costs associated with the annualization of new fall 2014 (FY15) faculty hires.

The FY16 budget also reflects 11 new employees in support of the opening and operation of the ISC and GAB1, as well as reorganization of the staffing based on the plan entitled “UMB Facilities Staffing – Best Practices Going Forward” released in July 2014.

### ***Enrollment Overview***

The FY16 budget reflects continued growth in both undergraduate and graduate enrollment. Since FY12, enrollment has grown at an average rate of over 2% per year. The FY16 enrollment is projected to increase 3% over FY15, growing to 17,263, of which 13,000 are undergraduate students and 4,263 are graduate students.

While continuing to expand, the University takes pride in expanding the diversity and strengthening the quality of the student body. Diversity in the undergraduate population has grown to 52% and the average incoming GPA of freshmen is 3.00. First generation students have remained about half, at 56%, and Pell grant recipients are over 30% of the total student population.

Attachments:

- Table 1: SRECNP
- Table 2: Natural Classification
- Table 3: Employee FTEs
- Table 4: Enrollment



**Table 1: SRECNP**

	FY13	FY14	FY15	FY16	FY15-16 Variance
<b>Boston- Statement of Revenues, Expenses and Changes in Net Assets</b>					
<b>Operating revenues</b>					
Net tuition and fees	153,084	160,317	169,098	186,223	17,125
Government grants and contracts	37,231	36,881	37,745	37,984	239
Private grants and contracts	10,832	9,830	10,362	10,362	-
Local grants and contracts	1,127	724	737	737	-
Sales and services of educational activities	3,000	3,433	3,262	3,262	-
Auxiliary enterprises	9,743	9,981	9,977	10,243	266
Other revenues	749	998	973	973	-
<b>Total operating revenues</b>	<b>215,766</b>	<b>222,164</b>	<b>232,154</b>	<b>249,784</b>	<b>17,630</b>
<b>Operating expenses functional</b>					
Instruction	130,378	140,539	148,067	160,466	12,399
Research	30,465	29,176	30,511	31,121	610
Public Service	11,015	11,478	11,666	12,643	977
Academic Support	28,876	29,014	30,511	32,093	1,582
Student Services	20,782	22,867	23,332	24,313	981
Institutional Support	40,376	46,159	46,664	50,182	3,519
Operation and Maintenance of Plant	22,692	25,238	26,921	29,176	2,254
Depreciation and Amortization	12,770	13,284	17,264	23,397	6,133
Scholarships and fellowships	11,832	11,654	11,900	12,649	749
Auxiliary Enterprises	10,565	11,353	12,115	12,969	853
Other Expenditures	-	-	-	-	-
Independent Operations	-	-	-	-	-
Public Service Activities	-	-	-	-	-
<b>Total operating expenses</b>	<b>319,751</b>	<b>340,762</b>	<b>358,950</b>	<b>389,009</b>	<b>30,058</b>
<b>Operating Surplus (Deficit)</b>	<b>(103,985)</b>	<b>(118,598)</b>	<b>(126,796)</b>	<b>(139,224)</b>	<b>(12,428)</b>
<b>Non-operating revenues (expenses)</b>					
Federal appropriation	-	-	-	-	-
State appropriations	89,435	100,553	111,023	114,899	3,876
Local appropriations	-	-	-	-	-
Gifts	3,767	4,535	3,767	3,880	113
Investment and endowment return	10,410	13,303	13,886	15,067	1,181
Interest expense	(9,570)	(6,665)	(7,827)	(10,934)	(3,107)
Non-operating Federal Grants	20,817	21,173	21,337	22,391	1,054
Gain (loss) on issuance/retirement of long-term debt	-	-	-	-	-
Change in value of assets held in trust	-	-	-	-	-
Other nonoperating revenue (expense)	(638)	275	275	275	-
<b>Total non-operating revenues (expenses)</b>	<b>114,221</b>	<b>133,174</b>	<b>142,461</b>	<b>145,577</b>	<b>3,117</b>
<b>Income (loss) before other revenues, expenses, gains or loss</b>	<b>10,236</b>	<b>14,576</b>	<b>15,665</b>	<b>6,353</b>	<b>(9,312)</b>
<b>Other revenues, expenses, gains or losses</b>					
Capital appropriations	26,401	42,978	45,650	8,700	(36,950)
Capital grants	-	1,856	1,000	1,000	-
Capital gifts	-	-	-	500	500
Gain (loss) on sale of property, plant and equipment	(1,039)	(1,157)	-	-	-
Other changes in net assets	(2,029)	(3,302)	(1,298)	(1,298)	-
Net transfers	-	-	-	-	-
<b>Total other revenues, expenses, gains or losses</b>	<b>23,333</b>	<b>40,375</b>	<b>45,352</b>	<b>8,902</b>	<b>(36,450)</b>
<b>Change in net assets</b>	<b>33,569</b>	<b>54,951</b>	<b>61,017</b>	<b>15,255</b>	<b>(45,762)</b>



**Table 2: Natural Classification**

	FY13	FY14	FY15	FY16	FY15-16 Variance
<b>Operating expenses</b>					
Salaries & Fringe	216,654	229,512	240,074	258,245	18,170
Non-personnel expense	78,495	86,312	89,712	94,717	5,006
Scholarships and fellowships	11,832	11,654	11,900	12,649	749
Depreciation	12,770	13,284	17,264	23,397	6,133
Amortization	-	-	-	-	-
<b>Total operating expenses</b>	<b>319,751</b>	<b>340,762</b>	<b>358,950</b>	<b>389,009</b>	<b>30,058</b>

**Table 3: Employee FTEs**

	FY13	FY14	FY15	FY16
<b>Boston - Employee FTEs</b>				
<b>UNRESTRICTED/DESIGNATED FUNDS</b>				
Faculty	845.6	870.7	891.7	917.7
Professional Staff	685.8	706.2	709.2	722.2
Classified Staff	362.0	350.0	352.0	370.0
<b>Total unrestricted FTEs</b>	<b>1,893.4</b>	<b>1,926.8</b>	<b>1,952.8</b>	<b>2,009.8</b>
<b>RESTRICTED FUNDS</b>				
Faculty	10.2	2.8	13.0	13.0
Professional Staff	143.2	131.2	131.2	131.2
Classified Staff	19.3	11.0	11.0	11.0
<b>Total restricted FTEs</b>	<b>172.7</b>	<b>145.1</b>	<b>155.3</b>	<b>155.3</b>
<b>Total employee FTEs</b>	<b>2,066.1</b>	<b>2,071.9</b>	<b>2,108.1</b>	<b>2,165.1</b>

**Table 4: Enrollment**

	FY13	FY14	FY15	FY16
<b>Boston - Student Enrollment</b>				
<b>Headcount</b>				
Undergraduate	12,124	12,366	12,700	13,000
Graduate	3,750	3,911	4,056	4,263
<b>Total headcount</b>	<b>15,874</b>	<b>16,277</b>	<b>16,756</b>	<b>17,263</b>
<b>FTEs</b>				
Undergraduate	9,410	9,688	10,079	10,339
Graduate	2,591	2,645	2,755	2,896
<b>Total FTEs</b>	<b>12,001</b>	<b>12,333</b>	<b>12,834</b>	<b>13,234</b>

# DARTMOUTH CAMPUS

***FY16 Dartmouth Campus Budget Overview***

The University of Massachusetts Dartmouth (UMassD) submits a Fiscal Year (FY) 2016 Operating Budget of \$244.5 million for approval. Key elements of the FY16 budget include:

- State appropriation is planned at \$60 million. This represents a 1.5% increase over FY 2015 because the 9c-cut implemented in FY15 reduced state funding by \$897,000.
- Net tuition and fee revenue of \$82.3 million, built upon revenue assumptions that include a 7.1% increase in mandatory fees for non-resident undergraduate and graduate students, 3.5% increase for law students (resident and non-resident), 5% increase for Massachusetts undergraduate students and 5.3% increase in mandatory rates for Massachusetts graduate students.
- University Extension online and continuing education programs continue to provide strong results through the delivery of quality programs.
- Continued focus on support of efficiency and effectiveness efforts.

Continued focus and investment in support of the UMassDTransform2020 Strategic Plan and the development of the Campus Master Plan.

***Strategic Plan - UMassDTransform2020***

The campus continues to implement the goals and projects defined in UMassDTransform2020, which includes: providing quality undergraduate and graduate education, supporting a student-centered environment, spurring research and innovation, and maintaining institutional financial sustainability. The University is engaged and responsive to the needs of the regional community and far beyond, and it will continue to find dynamic new ways of encouraging a mutually beneficial exchange of knowledge and resources, and strengthening the local educational systems.

Stronger marketing communications are in place to serve as a foundation for which to connect the campus offerings to the community and aspiring students.

UMassDTransform2020 identifies student success as a priority. To accomplish this goal, the University will continue to recruit talented and diverse undergraduate and graduate students as well as faculty, and to provide high-impact support and experiences. UMass Dartmouth will provide competitive graduate scholarships and fellowships, with particular emphasis on increasing the number of doctoral students. Academic advising programs and online tools support faculty and professional advisors who carefully monitor students' academic progress and degree completion as well as developmental advancement. Tutorial services are expanding along with peer-tutoring programs.

The opportunities for students to participate in the experiential learning opportunities will continue to increase. To encourage student interaction and reduce stress, Living and Learning Community programs will be strengthened. Intramural athletic activities and social interaction-based activities are also continuing to expand.

The groundwork has been laid for UMass Dartmouth to achieve national recognition as a research university while continuing to serve the educational needs of the region and Commonwealth.

### ***FY15 Highlights***

Under the FY15 Operating Budget, the campus was successful in acquiring the Advanced Technology Manufacturing Center facility in Fall River. In FY16 the University will focus on optimizing the site to serve as an incubator for ideas, technology, and businesses that will create and sustain jobs in the region.

In FY15 the campus focused on the design phase for the expansion of the Charlton College of Business. This project will add an additional 22,000 square feet to the existing facility. Designed to provide students with excellent teaching and learning resources, the addition will contain critically needed classroom and learning spaces containing state-of-the-art technology. The project will commence construction in FY16, with a completion date of June 2017.

Also in 2015, the campus focused on the design of a new building for the School for Marine Science and Technology (SMAST). This facility will double the marine science presence in New Bedford, expanding the University's impact on fields critical to the region and Commonwealth, including commercial fishing, coastal perseveration, and ocean modelling.

As part of the University's effectiveness and efficiency efforts, the campus successfully completed the installation of a new cogeneration (Cogen) energy system. The Cogen was successfully placed in service in February 2015. This is an integrated energy system that allows the university to generate electricity and use the by-product, heat, to create steam that can be used to produce hot water or heat for campus buildings.

Throughout the history of the school, UMassD has demonstrated a deliberate focus and a long standing commitment to providing community service. This is a common theme that is incorporated in teaching and learning programs and is strongly emphasized in the UMassDTransform2020 strategic plan. In 2015, UMass Dartmouth received national recognition for its community service commitment and was awarded the 2015 Community Engagement Classification from the Carnegie Foundation for the Advancement of Teaching. In addition, UMass Dartmouth is one of three higher education institutions nationwide and the only public university to receive the prestigious Higher Education Innovation Challenge grants to fund transformative community engagement initiatives. For a third year in a row, UMass Dartmouth is ranked in the top 3% on the President's Higher Education Community Service Honor Roll and was one of 16 national finalists for community service, with distinction in economic development and interfaith initiatives. In the past year, UMass Dartmouth students dedicated 201,547 hours of community service at a value of \$5.4 million to the community. More than 100 UMass Dartmouth faculty members taught more than 200 service-learning classes this past academic year that exposed close to 5,000 students to service learning and the experience of taking part in projects that benefit our community. These activities will continue to be a point of focus in FY16.

## ***FY16 Revenue and Expenditures***

### **Revenues**

FY16 revenue projections are built upon enrollment projections, rate assessments and state appropriation. Revenues in FY16 are based on very conservative increasing enrollment projections (UG 1.9%, Grad 3.67%). However, beginning last year, campus management developed a concerted effort to diversify revenue streams to become less dependent upon student fees generated from Massachusetts students. Enrollment Management developed strategies to recruit more actively in international markets through developing strong contracts and business relationships. As a result, growth of our international student population is becoming notable, increasing from 4.1% in FY13 to 7.4% in FY15. Momentum is expected to persist in FY16 as we continue to dedicate resources to promote growth in both domestic students from outside Massachusetts and international students.

The campus is also experiencing growth in University Extension (UE) programs. UMassD online undergraduate programs have been recognized nationally in *U.S. News & World Report*--ranked number one in Massachusetts; number two in New England and number 55 nationwide. In FY16 10.7% increase in revenues due to UE activities is planned.

The campus is dedicated to attracting and retaining students. Investment in tutoring, advising, and early detection of troubled students has helped to improve first-year retention rates. The effort the campus has made is working, as this indicator has improved more than five percentage points from FY13 to FY14; and is up 3.25 percentage points over FY14. The FY16 fee revenues are built upon continued improvement in student retention.

Included in the FY16 revenue projection is a new technology fee. This will be a mandatory system-wide fee and will add an additional \$1.7M of revenues that will be applied to support technology and technology improvements in classrooms and across campus.

After three years of rate freezes for the UMass Law School, the FY16 budget includes a 3.6% increase for Massachusetts students and a 2.6% increase for out-of-state students. The FY16 operating budget includes the provision made by the state to retain all tuition generated by the Law School. In prior years the Law School followed the same practice of tuition remission instituted on the main campus; remitting tuition paid by Massachusetts students to the state.

Revenue from tuition and fees is planned at \$82 million, net of scholarship allowances. The University of Massachusetts Dartmouth is committed to providing excellent, affordable higher education and promoting diversity. In FY16, the campus operating budget includes \$19 million in University-supported waivers (financial aid) to help our students achieve their educational aspirations. UMassD is committed to providing high quality and affordable academic programs. In FY15, the campus has been ranked number six out of 50 most affordable public schools for in-state students by Affordable Colleges.

Revenues from Auxiliaries are expected to be \$49.8 million, which is built upon a 5% increase in both housing and dining rates. Modest growth is planned for Grant revenues with overall

revenues in Federal State, Local and Private Grants and Contracts of \$20.7 million. Total operating revenues for FY16 are \$158.1 million. State appropriation is anticipated to be \$73.4 million; with the base appropriation increasing 1.5% after taking into account the 9c-cut that was instituted in FY15.

**Expenses:**

The FY16 operating budget provides for the continuation of current programs, fortification of student success programs, growth in University Extension online programs, and continued support of the Law School.

A modest increase for inflation is built in for non-personnel operating expenses of 1.8%. The annualized cost of collective bargaining from FY15, as well as the 3% increase planned in FY16, represents a \$6 million impact on the operating budget. Fringe benefits are planned at 29.18%, and 1.65% for payroll taxes, consistent with guidelines issued from the Office of the State Comptroller. Completion of phase two of the ESCO energy project results in a \$1.7M increase in operating expense due to additional CEIP, maintenance, measurement and verification payments. University Advancement continues to strengthen with investment in this area initiated in FY14 and continuing in FY16 in preparation of the Capital Campaign that is scheduled to commence in FY16.

The campus has not planned to participate in any bond issuances for FY16, but will re-evaluate the opportunity in FY2017.

The campus is committed to supporting the Law School as it works through the final stages of achieving accreditation from the American Bar Association. UMass Dartmouth is committed to developing a self-sustaining public Law School and will continue to support the school in achieving this goal. Like other law schools across the country UMass Law continues to feel the effect promulgated by the economic downturn that occurred in prior years. However, the campus is promoting awareness that it is the affordable option for an education in law. In FY15 the campus was successful in opening two incubator facilities (one in Boston and one in New Bedford) that will aid promising graduates in launching and securing their careers as legal professionals. These facilities should help to attract prospective students and improve future enrollment at the Law School.

**Operating Margin:**

The overall operating expenditures for FY16 are projected to be \$251 million inclusive of interest expense paid on debt-- with a projected operating deficit of (\$2.3 million), and an associated operating margin of (0.9%). This is an improvement over the FY15 operating budget, which has a planned operating margin deficit of (3.9%) revised from the original submission. The Law School contributes significantly to this deficit. If the campus were not investing in the Law School, the campus would be submitting an operating budget with revenues of \$245M; expenses at \$243M and an associated operating margin of 0.9%.

### ***Campus E&E Efforts***

The Dartmouth campus strives towards continuously implementing E&E initiatives that result in streamlined services, improved business practices and cost savings that enhance the student and the University community's experience.

#### Energy

The Dartmouth campus has engaged in a \$40 million Energy Performance Project being implemented by NORESO and managed through the DCAMM. A two-phased infrastructure upgrade program is aimed at improving the performance and efficiency of mechanical, electrical and plumbing systems while reducing the University's operating expenses and carbon footprint.

- Phase I – Included 18 energy conservation measures to address energy and water savings opportunities, the retrofit of existing lighting fixtures with new energy efficient lamps and ballasts, HVAC system upgrades and replacements, installation of new building management controls and major improvements to the plumbing infrastructure. This phase of the project is complete and is now in the operational phase.
- Phase II – The construction of the 1.67 MW Kawasaki gas turbine based cogeneration system. The gas turbine generator will generate electricity to UMass Dartmouth's electrical grid and hot gas exhaust to a Heat Recovery Steam Generator to produce steam for the campus. The gas turbine generator and heat recovery steam generator have been installed. The cogeneration system is undergoing a series of testing, commissioning and start up.
- UMass Dartmouth participated in a net metering program in which the campus received 30% of energy credits generated from the program.

#### Space and Building Efficiencies

In concert with the implementation of the UMassDTransform2020 strategic plan the Dartmouth campus has begun the process of updating the Campus Master Plan. The Master Plan has set goals to create efficiencies through:

1. Verification and validation of the space needs of all academic programs.
2. Proposed modernization of facilities in response to evolving pedagogies and demands for research space. An example of this is the renovation of the Carney Library which was repurposed as a campus community gathering point.
3. Enhance the aesthetics of the campus without diminishing the strong architectural style of the Paul Rudolph-designed buildings.
4. Generate a phased implementation plan that will enable continued growth of the student population and the expansion and development of the full range of UMass Dartmouth's diverse academic programs, community outreach programs, on-campus housing for graduate and undergraduates, research programs, and its industry and business partnerships for the near future.
5. Provide a well-documented framework that explains the variables that need to be considered relative to the proposed prioritization of projects in order for the University to fully understand the ramification of potential options in its decision making process. This Master Plan will reassess the prioritization of these projects to align them with the University's strategic goals and the recommendations of this Master Plan Update

The campus is also completing the construction of a new Food Service and Campus Center loading dock and freezer and cold storage building. The new freezer and cold storage building is approximately 1,200 square feet and helps eliminate staging of storage, which in turn allows for bulk buying, generating a cost savings for the University.

#### Procurement

In collaboration with the Lowell campus, we have partnered through a procurement initiative for Labor Construction Electronic Specification & Bid Document Development. With the goal of implementing BidDocs Online, Inc's "SmartSpec" module for the electronic development and management of labor construction design specification and solicitation documentation. The objective is to improve quality assurance, reduction of cycle times and improve efficiencies.

In addition, the campus is facilitating an IT Asset Management Redesign; this cradle to grave analysis of the management of IT assets will improve overall efficiencies, enhance quality assurance, and improve customer service for the life of IT assets.

#### Other E&E Initiatives

The campus has implemented several other initiatives to improve the quality of our students and clients' experience and to assist in decreasing expense through streamlining services. Examples include: Distributed steam and condensate line replacements, improvements to physical access and security through surveillance systems and card access, outsourcing of the campus bookstore, outsourcing of non-police security services within our residence halls, centralization of Conference and Events Services. We have launched technologies to improve student access to financial information (Ebilling) and document imaging.

#### Summary

The Dartmouth campus is broad-minded towards enhancing services and creating efficiencies which are woven into the fabric of the UMassDTransform2020 strategic plan. The University is committed to ongoing cost containment efforts to improve efficiency and effectiveness throughout the institution and in partnership with the UMass System's Efficiency and Effectiveness Task Force initiatives.

#### Attachments:

- Table 1: SRECNP
- Table 2: Natural Classification
- Table 3: Employee FTEs
- Table 4: Enrollment

Table 1: SRECNP

	FY13	FY14	FY15	FY16	Variance FY16 -15
<b>Dartmouth- Statement of Revenues, Expenses and Changes in Net Assets</b>					
<b>Operating revenues</b>					
Net tuition and fees	77,949	72,885	72,401	82,148	9,747
Government grants and contracts	15,689	14,315	14,315	15,705	1,390
Private grants and contracts	3,850	4,000	4,000	4,389	389
Local grants and contracts	315	577	577	633	56
Sales and services of educational activities	125	125	125	125	-
Auxiliary enterprises	47,277	48,220	46,279	49,877	3,598
Other revenues	5,079	5,932	6,711	5,479	(1,232)
<b>Total operating revenues</b>	<b>150,284</b>	<b>146,054</b>	<b>144,408</b>	<b>158,356</b>	<b>13,948</b>
<b>Operating expenses functional</b>					
Instruction	192,634	68,583	73,175	76,247	3,072
Research	-	17,013	17,639	18,924	1,285
Public Service	-	4,503	4,552	4,588	36
Academic Support	-	26,074	27,424	28,847	1,423
Student Services	-	11,574	12,225	12,922	697
Institutional Support	-	17,600	20,947	20,541	(406)
Operation and Maintenance of Plant	-	25,015	28,022	29,276	1,254
Depreciation and Amortization	13,438	15,064	17,440	17,825	385
Scholarships and fellowships	6,011	6,659	5,979	6,338	358
Auxilliary Enterprises	-	30,424	27,984	28,995	1,011
Other Expenditures					
Independent Operations					
Public Service Activities					
<b>Total operating expenses</b>	<b>212,083</b>	<b>222,508</b>	<b>235,387</b>	<b>244,502</b>	<b>9,115</b>
<b>Operating Surplues (Deficit)</b>	<b>(61,799)</b>	<b>(76,454)</b>	<b>(90,979)</b>	<b>(86,146)</b>	<b>4,833</b>
<b>Non-operating revenues (expenses)</b>					
Federal appropriation	-	-	-	-	-
State appropriations	57,242	64,633	71,803	73,380	1,577
Local appropriations	-	-	-	-	-
Gifts	-	-	-	-	-
Investment and endowment return	3,699	4,335	3,550	2,999	(551)
Interest expense	(8,434)	(8,617)	(7,878)	(7,265)	613
Non-operating Federal Grants	10,492	11,987	12,000	13,000	1,000
Gain (loss) on issuance/retirement of long-term debt	-	-	-	-	-
Change in value of assets held in trust	-	-	-	-	-
Other nonoperating revenue (expense)	755	587	600	620	20
<b>Total non-operating revenues (expenses)</b>	<b>63,754</b>	<b>72,925</b>	<b>80,075</b>	<b>82,734</b>	<b>2,658</b>
<b>Income (loss) before other revenues, expenses, gains or losses</b>	<b>1,955</b>	<b>(3,529)</b>	<b>(10,904)</b>	<b>(3,413)</b>	<b>7,491</b>
<b>Other revenues, expenses, gains or losses</b>					
Capital appropriations	16,037	14,556	4,700	18,950	14,250
Capital grants	13,813	5,815	11,400	-	(11,400)
Capital gifts / External funding	-	-	449	880	430
Gain (loss) on sale of property, plant and equipment	(1,140)	(1,293)	(1,200)	(1,200)	-
Other changes in net assets	(593)	(2,622)	2,120	(300)	(2,420)
Net transfers	-	-	-	-	-
<b>Total other revenues, expenses, gains or losses</b>	<b>28,117</b>	<b>16,456</b>	<b>17,469</b>	<b>18,330</b>	<b>860</b>
<b>Change in net assets</b>	<b>30,072</b>	<b>12,927</b>	<b>6,565</b>	<b>14,917</b>	<b>8,352</b>

**Table 2: Natural Classification**

	FY13	FY14	FY15	FY16	Variance FY16 -15
<b>Operating expenses</b>					
Salaries & Fringe	-	132,023	138,822	142,455	3,633
Non-personnel expense	192,634	68,762	73,146	77,885	4,739
Scholarships and fellowships	6,011	6,659	5,979	6,338	358
Depreciation	13,438	15,064	17,440	17,825	385
Amortization	-	-	-	-	-
<b>Total operating expenses</b>	<b>212,083</b>	<b>222,508</b>	<b>235,387</b>	<b>244,502</b>	<b>9,115</b>

**Table 3: Employee FTEs**

	FY13	FY14	FY15	FY16
<b>Dartmouth - Employee FTEs</b>				
<b>UNRESTRICTED/DESIGNATED FUNDS</b>				
Faculty	452.6	434.5	429.5	416.6
Professional Staff	338.3	350.4	359.3	348.6
Classified Staff	362.6	371.6	374.4	363.1
<b>Total unrestricted FTEs</b>	<b>1,153.5</b>	<b>1,156.5</b>	<b>1,163.2</b>	<b>1,128.3</b>
<b>RESTRICTED FUNDS</b>				
Faculty	11.1	8.7	5.9	5.9
Professional Staff	37.4	19.7	27.8	27.8
Classified Staff	3.0	2.1	3.2	3.2
<b>Total restricted FTEs</b>	<b>51.5</b>	<b>30.5</b>	<b>36.9</b>	<b>36.9</b>
<b>Total employee FTEs</b>	<b>1,205.0</b>	<b>1,187.0</b>	<b>1,200.1</b>	<b>1,165.2</b>

**Table 4: Enrollment**

	FY13	FY14	FY15	FY16
<b>Dartmouth - Student Enrollment</b>				
<b>Headcount</b>				
Undergraduate	7,562	7,437	7,454	7,473
Graduate	1,334	1,358	1,442	1,452
Law	314	258	215	220
<b>Total headcount</b>	<b>9,210</b>	<b>9,053</b>	<b>9,111</b>	<b>9,145</b>
<b>FTEs</b>				
Undergraduate	6,799	6,652	6,644	6,713
Graduate	930	1,000	1,109	1,117
Law	255	213	177	183
<b>Total FTEs</b>	<b>7,984</b>	<b>7,865</b>	<b>7,930</b>	<b>8,013</b>



# LOWELL CAMPUS



### ***FY16 Lowell Campus Budget Overview***

The University of Massachusetts Lowell submits for review and approval its Fiscal Year 2016 Operating Budget totaling \$406.9 million. This budget reflects current (April 2015) assumptions about the state appropriation allocation, collective bargaining funding and student charge decisions on campus finances.

The Fiscal Year 2016 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 in FY 2016. The document considers the FY2014 actual financial statement results, the forecasted results for FY2015 and the projected outcome for FY2016 based on the campus budget planning and parameters established by the President's Office.

Key elements of the FY2016 budget include:

- State appropriation that reflects level funding from FY2015 and no funding for the FY2016 costs of collective bargaining increases for state-funded employees that total \$4.8 million (incl. fringe).
- Projected 10.5% increase in revenue from tuition and fees due to student charge increases for resident, non-resident students and resident graduate students and growth in undergraduate, graduate, out-of-state and continuing studies enrollment. Enrollment growth and the opening of new residential halls also driving 8.8% increase in auxiliary revenues.
- Increased investment in new faculty and student service staff.
- Other cost drivers include depreciation, interest and operations and maintenance expenses, continued investments for the campus Division 1 and recreation program upgrades, the opening of the new phase two of the Riverview Suites residential hall and McGauvran Dining hall and initial start-up costs for the School of Pharmacy.

The overall result of the changes in budgeted revenues and expenses for FY2016 is a projected \$2.3 million deficit or a -0.4% operating margin to be funded by accumulated surpluses. On an operating cash flow basis (adding back depreciation, capital expenditures and debt principle) the University expects a breakeven outcome. However, if the final state appropriation allocation to the Lowell campus is less than what is built into this budget and/or if the University does not support the student charge increases requested, the campus will have to implement more drastic budget solutions which will stunt the campus strategic growth plan.

### ***FY15 Highlights***

The campus continues to experience dynamic enrollment growth. Enrollment increased by 259 headcount students between Fall 2013 and Fall 2014 (including on-line and continuing education). Student enrollment generated revenue has become a significant portion of the University's unrestricted revenue to support core educational and general activities as well as capital improvements and the costs of borrowing for new facilities and infrastructure upgrades.



The campus allocated \$11.1 million in new funds in FY2015 for several key campus priorities, including student services, high-quality teaching, entrepreneurial learning and research, student financial aid and the ongoing build-out of our Division I athletics program. In addition to these strategic investments, the budget funded fixed cost increases of more than \$9.1 million for debt service, utilities, system office assessments and fringe benefits in FY2015.

FY2015 student revenues are forecasted to increase 8.3% over FY2014 due to enrollment growth and increased rates. The Lowell Campus is currently forecasting a \$1.9 million surplus breakeven operating result for FY2015. This forecast is an improvement over the \$6.2 million operating deficit (-1.6%) budgeted last year at this time but consistent with the update reported for the rating agency review in February of 2015. The positive variance forecasted from budget is due to on-line and continuing education and room and board operating revenue growth as well as payroll vacancy savings (unfilled positions) and utilities.

### ***Strategic Plan***

The University of Massachusetts Lowell embarked on a strategic planning process five years ago to craft a bold vision for its future and map out a blueprint to achieve its ambitious goals by 2020. Stakeholders from across the university community came together and articulated a clear vision that defined our values as an institution, laid out our direction for the future and set the strategies to bring our plan to life. [UMass Lowell 2020 Strategic Plan](#).

In the intervening years, the campus has made great progress in every area. Enrollment has climbed, research flourished, opportunities for experiential and international learning increased, the endowment has grown and collaborations with industry and other partners are thriving. In a sign of the national and international recognition of this progress, the university has steadily climbed in numerous college rankings.

From the outset, the campus committed that the strategic planning process would be an open, transparent, inclusive and iterative process. To that end, over 250 faculty and staff have engaged in thoughtful meetings, consultations and retreats to constantly update and revise the direction and benchmarks that define UMass Lowell 2020. Now, midway through the process, we are updating our 2020 plan to map our course for the next five years. As a university we have identified the strategic imperatives – our five Pillars of Excellence -- that must be pursued to continue the forward momentum. These imperatives will guide us as we plan for the future ([Pillars of Excellence](#)).

The UMass Lowell 2020 Report Card ([UMass Lowell Report Card](#)) is published annually and benchmarks our progress on the key indicators that we as a University have identified as being critical to our success.

Enrollments grew more than 48% between 2007 and 2014 and are projected to grow 4% this Fall. UMass Lowell is expanding out-of-state and international enrollments, Master's and on-line enrollments and is focused on increasing the retention and persistence of current students to maintain enrollment levels and improve student outcomes. This growth *has not* come at the



expense of selectivity, quality or diversity. Sponsored research funding has increased 80%. The campus facilities master plans will address the pressures of current and future growth including demand for new academic programs and residential and recreational facilities and the continued need to renew facilities with systems that show signs of obsolescence and address the backlog of deferred maintenance.

**A critical element of the strategic plan is that it be financially sustainable into the future.**

The campus multi-year financial planning targets and annual operating budget goals are directed toward achieving positive annual operating margins, building sufficient reserves and maintaining a debt service ratio under the University policy cap of 8 percent. The strategic plan and updates to the campus multi-year financial plan and capital plan are reviewed annually by the President's Office and the Board of Trustees and have received support.

Enrollment growth has been a driving force behind the success of the strategic plan. Growing enrollments has created economies of scale in facilities use and service delivery and generated the additional revenues to make further investments in those areas that would improve student success and enhance the quality of the academic and research program including the many new and renovated facilities across all three campuses.

The campus has embraced and is implementing many academic and administrative efficiency and effectiveness initiatives and ideas generated throughout the University system. It is through the combination of increasing revenues through enrollment, fundraising, sponsored research and entrepreneurial activities and controlling costs that will result in a financially sustainable future. Slowing down any of these efforts will impact progress.

***FY16 Revenue and Expenditures***

*State Support*

The University of Massachusetts Lowell FY2016 operating budget utilizes the state appropriation allocation assumptions proposed by the President's Office. The FY2016 state appropriation allocation does not include state funding to support bargaining unit raises for state funded employees or any new state funds above what was appropriated in FY2015 (prior to the February 2015, 9C cut). The cost of the unfunded negotiated wage increases (including the cost of fringe benefits) is \$4.8 million.

*Enrollment and Student Charges*

The Lowell campus anticipates a 4.0% increase in undergraduate enrollment for Fall 2015. The university has proposed increasing mandatory tuition and operating fees by 5.0% for all resident and non-resident graduate and undergraduate students.

The enrollment growth and student charge increases will result in an estimated 10.5% increase in tuition and fee revenue (net of financial aid). Enrollment growth and efforts to expand the residential experience for students will generate a 8.8% increase in revenues from Residential Housing and Food Services.



### *Grants & Contracts*

Grant and contract revenue from all sources is projected to increase by over 13% in FY2016, reflecting a 3.4% increase in government grants and contracts as well as new contracts from both the Raytheon research partnership and the new GUST initiative.

### Expenditures

New faculty and staff (see below), collective bargaining and increased fringe rates will increase salaries and benefits 6.7% over FY2015; depreciation expense will grow 15% or \$4.2 million. In total, campus operating expenditures will increase 8.4%.

As noted above, the overall result of the changes in revenues and expenses is a projected \$2.3 million deficit or a -0.4% operating margin for FY2016 funded by accumulated surpluses. Some of the key elements of the strategic plan that are driving these results include:

- Division I: The multi-year investment plan to elevate the campus athletic program to Division I requires funding to bring scholarships, staffing, team budgets and campus facilities to standards expected by America East and the NCAA as well as the initial entrance fees. Once full membership is achieved in year four, the campus subsidy for athletics will stabilize.
- School of Pharmacy: UMass Lowell established the M.S. and Ph.D. in Pharmaceutical Sciences in response to workforce shortages in Massachusetts, particularly in the high-tech biopharmaceutical arena. The establishment of the program was supported by the President's Office and the state's 2011 Pharmacy Commission and the Board of Trustees. The new School of Pharmacy is now actively seeking faculty and students to begin classes in Fall 2017 with a target of receiving full ACPE accreditation in 2021. The campus is seeking external support for the start-up costs including gifts and system-office enhancement funds until enrollments are sufficient to support operations per the plan.
- University Crossing: The new \$97 million student center received no state funding and was fully financed through UMBA. Borrowing and operating costs are included in the budget and multi-year plan.

### Capital Planning & Facility Improvements

During fiscal year 2015 the final two floors of the Saab-ETIC facility were opened to support the continued development of the campus pharmaceutical sciences program and our multi-million dollar industry partnership with the Raytheon Corporation. The campus opened University Crossing and completed the Leitch & Bourgeois Residential Hall renovation project.

The campus borrowed \$100 million in February of 2015 through UMBA to finance the McGauvran Dining hall renovation project, the Pulichino-Tong Business School construction project as well as acquisition and renovation funds.

Based on a recent report done for the University by Sightlines, the campus has a deferred maintenance project backlog of \$593 million that must be addressed over the next 10 years.



Sixty-percent of this backlog represent immediate needs whereby critical facility subsystems such as HVAC, electrical and plumbing systems, building envelopes and roofs have already failed or are functioning at greatly degraded efficiency at great cost that will continue to increase.

In addition, the Sightlines report has identified the systems that will come to the end of their useful lives over the next ten years as well as those spaces that will need renewal so that they can continue to meet the programmatic needs of the campuses. Nearly 50% of the spending planned in the current five-year capital plan (FY2015-2019) will address this backlog. The repair and renovation projects noted above, the large state and UMBA managed projects and targeted demolition will drive down these costs.

Increased operating budget allocations to preventative and on-going maintenance will also slow the growth of the backlog. The University's operating budget fully recognizes the costs of depreciation (consistent with the financial statement presentation). This recognition provides cash flow for campus capital improvements.

The campus has started or completed nearly all of the major new facilities to be funded with debt in the current five-year capital plan. Moving forward, the primary sources of funds for new facilities, renewal, renovations and deferred maintenance will be the state, gifts, campus operating budgets and other external sources. The multi-year capital and financial plans are in sync.

### ***Campus E&E Efforts***

The Lowell campus continues to implement E&E initiatives that result in cost savings and increased service to students and the university community. Striving to improve services and support a sustainable financial future are key elements of the Entrepreneurial Stewardship Pillar of Lowell's 2020 Strategic Plan. The campus E&E initiatives reflect our on-going commitment to these goals.

### **Procurement**

In addition to the system-wide contracting and procurement initiatives, the Lowell campus has found additional savings by: negotiating and re-negotiating various IT maintenance and equipment contracts; strategic sourcing of FF&E for our new University Crossing facility; and implementing improvements to construction bidding procedures.

In addition, the campus has negotiated significant capital contributions from our food service, bookstore and beverage partners to advance our strategic capital program and provide improved service and support to students.

### **Energy**

The Lowell campus has partnered with the Division of Capital Asset Management and Maintenance (DCAMM) on a \$26 million performance contract to renew campus infrastructure that will reduce energy consumption by 20% or more. Other efforts to improve energy efficiency and reduce green house gas emissions on campus include a strategic use of net metering credits and third party incentive programs as well as a comprehensive effort to improve



lighting indoors and in parking lots and improve how we control and manage HVAC, steam and water systems.

#### Other E&E Initiatives

There are many other initiatives implemented to improve service for our students and customers and to reduce campus costs. Examples include: workforce management and organizational development efforts to reorganize and realign administrative service areas including outsourcing of non-police security services; deploying new technologies such as virtual desktops, document imaging and management solutions (incl. eForms); and providing additional payment options and systems for students and families to pay tuition, room and board costs.

#### ***Staffing Overview***

The campus funded 102 new faculty between FY2009 and FY2015 to meet enrollment growth and program needs and has budgeted an additional 11 new faculty in FY2016. Staffing levels have increased in areas of critical importance to the strategic plan, primarily in the facilities, public safety, student services and academic support areas. The campus is assuming that it will fill approximately half of its budgeted vacant staff positions in FY2016 or approximately 35 FTE. In addition, the new Kuwaiti initiative will result in approximately 10 new externally funded faculty and 12 staff.

#### ***Enrollment Overview***

The FY2016 budget assumes 4% growth in undergraduate students and 4.5% growth in graduate students. The campus is continuing to expand non-resident, including international student, enrollments as well as on-line programming. These growth assumptions are less than the average annual growth of 11% experienced by the campus between Fall 2007 and Fall 2014 when total student headcounts grew from 11,635 to 17,191.

#### Attachments:

- Table 1: SRECNP
- Table 2: Natural Classification
- Table 3: Employee FTEs
- Table 4: Enrollment



Table 1: SRECNP

	FY13	FY14	FY15	FY16	Variance FY16-15
<b>Lowell- Statement of Revenues, Expenses and Changes in Net Assets</b>					
<b>Operating revenues</b>					
Net tuition and fees	139,748	152,563	165,153	182,429	17,276
Government grants and contracts	28,242	29,483	32,448	33,547	1,099
Private grants and contracts	10,160	10,073	10,289	15,077	4,788
Local grants and contracts	322	457	490	506	16
Sales and services of educational activities	129	33	118	122	4
Auxiliary enterprises	36,188	45,101	52,177	56,764	4,588
Other revenues	6,046	6,726	7,393	7,615	222
<b>Total operating revenues</b>	<b>220,835</b>	<b>244,436</b>	<b>268,067</b>	<b>296,059</b>	<b>27,992</b>
<b>Operating expenses functional</b>					
Instruction	105,148	111,203	116,665	122,649	5,984
Research	35,921	36,624	40,147	45,629	5,482
Public Service	1,321	830	855	881	26
Academic Support	22,656	26,112	28,450	30,830	2,380
Student Services	21,280	27,033	31,916	34,586	2,670
Institutional Support	39,316	43,222	48,335	52,379	4,044
Operation and Maintenance of Plant	30,056	34,453	38,565	41,791	3,226
Depreciation and Amortization	19,855	24,158	26,972	31,138	4,166
Scholarships and fellowships	9,767	9,932	12,675	13,394	719
Auxiliary Enterprises	21,176	26,276	30,902	33,619	2,717
Other Expenditures	-	-	-	-	-
Independent Operations	-	-	-	-	-
Public Service Activities	-	-	-	-	-
<b>Total operating expenses</b>	<b>306,496</b>	<b>339,843</b>	<b>375,482</b>	<b>406,897</b>	<b>31,415</b>
<b>Operating Surplues (Deficit)</b>	<b>(85,463)</b>	<b>(95,175)</b>	<b>(107,415)</b>	<b>(110,838)</b>	<b>(3,423)</b>
<b>Non-operating revenues (expenses)</b>					
Federal appropriation	-	-	-	-	-
State appropriations	79,228	88,136	99,893	100,666	772
Local appropriations	-	-	-	-	-
Gifts	2,170	3,484	3,919	3,958	39
Investment and endowment return	7,994	10,004	6,510	4,228	(2,283)
Interest expense	(9,625)	(12,311)	(17,402)	(17,010)	393
Non-operating Federal Grants	15,410	15,781	16,307	16,633	326
Gain (loss) on issuance/retirement of long-term debt	-	-	-	-	-
Change in value of assets held in trust	-	-	-	-	-
Other nonoperating revenue (expense)	114	8	46	46	-
<b>Total non-operating revenues (expenses)</b>	<b>95,291</b>	<b>105,102</b>	<b>109,273</b>	<b>108,521</b>	<b>(752)</b>
<b>Income (loss) before other revenues, expenses, gains or losses</b>	<b>9,828</b>	<b>9,927</b>	<b>1,858</b>	<b>(2,316)</b>	<b>(4,175)</b>
<b>Other revenues, expenses, gains or losses</b>					
Capital appropriations	17,164	2,788	8,300	32,400	24,100
Capital grants	8,613	5,843	-	-	-
Capital gifts	-	-	8,800	5,155	(3,645)
Gain (loss) on sale of property, plant and equipment	(1,388)	1,550	(1,271)	(1,003)	268
Other changes in net assets	(379)	178	303	1,103	800
Net transfers	-	-	-	-	-
<b>Total other revenues, expenses, gains or losses</b>	<b>24,010</b>	<b>10,359</b>	<b>16,132</b>	<b>37,655</b>	<b>21,523</b>
<b>Change in net assets</b>	<b>33,838</b>	<b>20,286</b>	<b>17,990</b>	<b>35,339</b>	<b>17,348</b>



**Table 2: Natural Classification**

	FY13	FY14	FY15	FY16	Variance FY16-15
<b>Operating expenses</b>					
Salaries & Fringe	191,682	203,762	225,251	240,416	15,165
Non-personnel expense	84,994	101,759	110,584	121,950	11,365
Scholarships and fellowships	9,767	9,932	12,675	13,394	719
Depreciation	19,657	23,926	26,972	31,138	4,166
Amortization	198	232	-	-	-
<b>Total operating expenses</b>	<b>306,298</b>	<b>339,611</b>	<b>375,482</b>	<b>406,897</b>	<b>31,415</b>

**Table 3: Employee FTEs**

	FY13	FY14	FY15	FY16
<b>Lowell - Employee FTEs</b>				
<b>UNRESTRICTED/DESIGNATED FUNDS</b>				
Faculty	518.5	532.1	540.5	552.0
Professional Staff	534.3	620.7	684.5	719.1
Classified Staff	207.2	218.5	222.6	234.6
<b>Total unrestricted FTEs</b>	<b>1,260.0</b>	<b>1,371.3</b>	<b>1,447.6</b>	<b>1,505.7</b>
<b>RESTRICTED FUNDS</b>				
Faculty	9.1	9.7	8.8	19.0
Professional Staff	123.6	117.8	103.6	119.0
Classified Staff	4.8	2.0	-	-
<b>Total restricted FTEs</b>	<b>137.5</b>	<b>129.5</b>	<b>112.4</b>	<b>138.0</b>
<b>Total employee FTEs</b>	<b>1,397.5</b>	<b>1,500.8</b>	<b>1,560.0</b>	<b>1,643.7</b>

**Table 4: Enrollment**

	FY13	FY14	FY15	FY16
<b>Lowell - Student Enrollment</b>				
<b>Headcount</b>				
Undergraduate	12,287	12,734	12,993	13,513
Graduate	4,007	4,198	4,198	4,387
<b>Total headcount</b>	<b>16,294</b>	<b>16,932</b>	<b>17,191</b>	<b>17,900</b>
<b>FTEs</b>				
Undergraduate	9,972	10,333	10,621	11,053
Graduate	2,518	2,692	2,749	2,873
<b>Total FTEs</b>	<b>12,490</b>	<b>13,025</b>	<b>13,370</b>	<b>13,926</b>

# MEDICAL SCHOOL

### ***FY16 Medical School Budget Overview***

The FY2016 operating budget for the University of Massachusetts Medical School (UMMS) prioritizes support for critical academic, infrastructure and research investments in support of the campus mission, while taking into account a fiscal environment that will require use of available reserves in the coming fiscal year. In recognition of these ongoing financial challenges, UMMS continues to assertively redesign and refine business and operational activities to protect resources for the core mission through its Excellence Program, now going into its fifth year. The operating budget balances support for mission-critical programs and activities in key areas, while limiting non-essential and discretionary expenditures wherever possible as declining federal funding and limited state support continue to present significant challenges.

UMMS continues to attract and graduate highly capable students in the School of Medicine as judged by admission test scores, residency match results, and performance on licensing exams, and School of Medicine graduates continue to rank the educational experience as exceptional. The Graduate School of Nursing produces well-prepared and sought after graduates even as the landscape of advanced practice nursing changes: graduates from the Doctorate of Nursing Practice degree program, the Graduate Entry Pathway and the traditional doctoral program are meeting important needs in areas of practice, education and research for the campus and the region. The Graduate School of Biomedical Sciences, by attracting a highly regarded applicant pool with an exceptionally prominent faculty, a supportive environment and a curriculum that prepares graduates for a range of professions, consistently produces students who achieve notable success.

So even in an environment where budget challenges – common across peer institutions – limit choices, UMMS continues to benefit from the smart investments and structural advantages of world-class faculty, students and leadership.

### ***Strategic Planning – Vision 2020***

After an exceptionally inclusive and engaged process, UMass Medical School and its clinical partner, UMass Memorial Health Care, have begun executing a new strategic plan that takes into account the dramatic changes in health care delivery and financing; research funding and the translation of research into practice; and health sciences education in an era of rapid change.

“Vision 2020” is a guide for UMMS as it addresses the future of health sciences research, education and service delivery. Vision 2020 underpins the operating budget process, mapping campus investments to design new models of health care delivery; build the workforce of the future; sustain an ideal learning environment; translate research discovery into medical practice; become a more effective business organization; and make a substantive impact on the region, the commonwealth and the world. Vision 2020 is closely aligned with the University’s strategic priorities.

The strategic plan has the following goals:

- To become the best academic health system in New England, based on measures of patient safety, quality, cost, patient satisfaction, innovation, education and caregiver engagement;

- To build a health care delivery and biomedical research workforce that makes a lasting impact on human health;
- To enhance the basic science enterprise and drive intellectual excitement, potential new therapies and long-term sustainability through the engine of discovery, with special focus on areas of existing world-class strength;
- To create a transformative research ecosystem that enables rapid development of products for clinical use, collaboration with clinical partners as a laboratory for clinical and translational research, and partnerships with the community to drive improvements in individual and population health;
- To transform shared service operations to better serve and support mission-based activities through alignment of purpose and integration of effort;
- To establish an information technology environment that enables the best care and patient experience, educates the finest caregivers and scientists, and accelerates future therapies;
- To attract, inspire and cultivate outstanding talent in science, medicine and health care to become a leading academic health sciences center; and
- To provide a high value ecosystem that maximizes opportunities and optimizes outcomes for our patients who seek prevention, treatments and cures for cancer, our trainees who seek to become experts in all aspects of cancer and our researchers who seek new knowledge for the prevention, treatment and cure of cancer.

### ***FY15 Highlights***

Investments have continued in critical areas, including in medical education and physician training; clinical research training and trial design; health policy and health services research; and the five-campus UMass Center for Clinical and Translational Science, supported by significant campus investment and base funding from the NIH through the Clinical and Translational Science Award. These are long term core areas of importance for health sciences research, education and clinical care.

UMMS faculty continue to be recognized for their world-leading achievements, as evidenced by Victor Ambros, PhD, being named a winner of the 2015 Breakthrough Prize; Beth McCormick, PhD, Oliver Rando, MD, PhD, and Celia Schiffer, PhD, being elected to the American Academy of Microbiology; and Kate Fitzgerald, PhD, honored with the St. Patrick's Day Medal from the Science Foundation of Ireland.

Dr. Rando also received one of 10 highly competitive NIH Director's Pioneer Awards, which challenge investigators to develop groundbreaking approaches in biomedical or behavioral science. Heinrich Gottlinger, MD, PhD, was named one of three recipients of the 2014 Avant-Garde Award for HIV/AIDS Research by the National Institute on Drug Abuse; and Executive Deputy Chancellor, Provost and Dean of the School of Medicine Terence R. Flotte was named the editor in chief of the influential journal *Human Gene Therapy*.

Other notable achievements of the year include:

- UMass Medical School was ranked 12th in primary care education among 130 medical schools and 26 schools of osteopathic medicine surveyed by weekly news magazine *U.S. News & World Report* in its 2016 edition of the “Best Graduate Schools” issue.
- Phillip D. Zamore, PhD, a pioneer in the study of RNA silencing, was named a 2014 Fellow of the National Academy of Inventors, a high professional distinction accorded to academic inventors who have demonstrated a prolific spirit of innovation.
- MassBiologics of UMass Medical School and Voyager Therapeutics formed a new collaboration for viral vector manufacturing at the new MassBiologics SouthCoast facility in Fall River.
- Two newly endowed chairs were approved by the university’s Board of Trustees. Katherine F. Ruiz de Luzuriaga, MD, was named the inaugural recipient of the *UMass Memorial Health Care Chair in Biomedical Research*. Gyongyi Szabo, MD, PhD, was named the inaugural recipient of the second *Worcester Foundation for Biomedical Research Chair*.
- UMMS began a program to restore critically needed basic health care in Liberia by re-opening hospitals overwhelmed by Ebola outbreaks, thanks to funding from the Paul G. Allen Family Foundation.
- The Center for Collaborative Research in Fragile X was established at at UMMS, with a \$9.5 million NIH grant. The Center is led by Professor of Molecular Medicine Joel D. Richter. Fragile X is the most common form of inherited intellectual and developmental disability. It can affect one in about 4,000 males and one in about 6,000 females.
- UMMS, in conjunction with the Veterans Administration, announced a coordinated effort between federal and state partners and UMass Medical School to improve and expand health services for Massachusetts veterans. As a first step of the new collaboration, the Veterans Administration Central Western Massachusetts Health Care System (VACWM) and UMMS have worked together to award a contract for a research annex for VA clinics on the UMMS campus in Worcester.
- Deadly diseases including HIV, hepatitis C, tuberculosis and cancer can quickly become resistant to even the most effective drugs. With a new \$7.9 million program project grant from the National Institute of General Medical Sciences, UMMS Professor of Biochemistry and Molecular Pharmacology Celia Schiffer hopes to better understand the complex processes by which diseases rapidly develop resistance to drugs.
- An international group of scientists led by Gang Han, PhD, has combined a new type of nanoparticle with an FDA-approved photodynamic therapy to effectively kill deep-set cancer cells *in vivo* with minimal damage to surrounding tissue and fewer side effects than chemotherapy. This promising new treatment strategy could expand the current use of photodynamic therapies to access deep-set cancer tumors.
- Twenty members of the School of Medicine Class of 2015 were inducted into the new UMMS Gold Humanism Honor Society chapter. These students were nominated by their classmates and mentors as exemplars of compassionate patient-centered care. Also inducted were residents and faculty members selected by the student inductees.

- Graduate School of Biomedical Sciences student Tsung-Han “Stanley” Hsieh was one of 46 international pre-doctoral students selected by the Howard Hughes Medical Institute to receive International Student Research Fellowships that will support them as they complete their graduate studies at U.S. universities.
- More than 1,000 runners and walkers participated in the inaugural Governor Cellucci Tribute Road Race in Hudson, in honor of the late Paul Cellucci’s commitment to fund ALS research at UMass Medical School and his lifelong dedication to public service. The race, which ran through Paul Cellucci’s historic hometown, benefited the UMass ALS Cellucci Fund, launched by the former governor to fund research into a cure after he was diagnosed with the disease.
- Brian A. Kelch, PhD, assistant professor of biochemistry & molecular pharmacology, was named a member of the 2014 class of Pew Scholars Program in the Biomedical Sciences by the Pew Charitable Trusts, which provides funding over four years to young investigators of outstanding promise who are doing biomedical research relevant to the advancement of human health.
- UMass Medical School led the launch of a statewide program, the Massachusetts Child Psychiatry Access Project for Moms, to better identify and treat depression in mothers during and after pregnancy, by providing rapid access to psychiatric expertise and mental health resources to pregnant and postpartum women’s front line health care providers.
- Mary M. Lee, MD, and Vivian Budnik, PhD, were named fellows of the Hedwig van Ameringen Executive Leadership in Academic Medicine (ELAM) Program for Women at the Drexel University College of Medicine in Philadelphia.
- An innovative public health research center at UMass Medical School focused on reducing obesity and eliminating health disparities was awarded \$4.4 million from the U.S. Centers for Disease Control and Prevention.
- Second-year medical student Molly Cook was chosen as one of 14 Boston Schweitzer Fellows and will spend the next year teaching teens about intimate relationship violence.
- Chancellor Michael F. Collins received the Massachusetts Biotechnology Council’s 2015 Leading Impact Award for his contributions to the life sciences economy in Massachusetts. The award is granted annually by MassBio’s Economic Development Advisory Group to recognize significant contributions of individuals or organizations in the arena of local, regional and state economic development that have improved the competitiveness of Massachusetts as a destination for the life sciences industry.
- Professor of Molecular Medicine Gregory Pazour received the 2015 Lillian Jean Kaplan International Prize for Advancement in the Understanding of Polycystic Kidney Disease, for his discovery of the role cilia dysfunction plays in the disease.

Maintaining the environment that allows UMMS faculty to excel in their mission-based activities requires continuous investment in facilities, core equipment, novel research programs and recruitment. This, of course, impacts planning for the future, use of and access to capital markets as well as current operating margins. The balance between revenue-based, margin generating business activities that have been developed and managed by UMMS to augment its support of academic achievement versus traditional program support for UMMS’ founding mission is a

constant challenge. Both the FY2015 and FY2016 financial performance and projections are impacted by recent capital investments, recruitment and fluctuations in UMMS' approximately \$400 million of annual revenue-based operations.

Overall, FY2015 is projected to end with a positive variance to plan of \$12.9 million, resulting in a \$10.8 million decrease in net assets compared to a budgeted decrease of \$23.7 million. The positive variance is driven by non-operating activity, most notably \$20.6 million for the transfer of the MassBiologics South Coast facility, formerly the Mass Accelerator for Biomanufacturing, to the Medical School. This is offset by a \$7 million shortfall in funds from the Higher Education Bond Bill for necessary capital maintenance projects in the medical school which have not yet been provided by the state.

Operating margin is projected to be on plan at a \$37.7 million loss or -4.5%. Expense savings from cost reduction measures, including a temporary hiring freeze, are anticipated to net a little over \$2 million in the 4<sup>th</sup> quarter. Additionally, bond refinancing will contribute another \$1.2 million in savings. Offsetting this, MassBiologics is projected to be \$3.8 million below plan resulting from a budgeted \$15.8 million milestone payment from Merck that is now not anticipated until FY2016, offset by \$8.2 million in additional manufacturing sales and other revenue and \$3.9 million in expense savings.

As UMMS looks to FY2016, the importance of its mission can hardly be overstated; as a part of a great University and as a leading academic health sciences institution, UMMS has made investments in the student learning environment; in the faculty; in the research enterprise; and in public service programs. But more broadly, UMMS has invested in its mission of taking research discoveries, health sciences students, and the fruits of its intellectual endeavors and bringing them to bear on the most challenging health problems the world faces.

### ***FY16 Revenue and Expenditures***

The FY2016 operating budget projects a decrease in total net assets of \$4 million, with an operating margin of -\$11.3 million or -1.3%. This is a significant improvement over FY2015 which is projected at a decrease in net assets of \$10.8 million and an operating margin of -\$37.7 million or 4.5%. Significant factors in this improved financial performance include a milestone payment to MassBiologics, a major across-the-board expenditure cut in administration and support operations and increases in revenue from tuition retention and increased fees. The FY2016 projected negative operating margin will still require the use of available reserves (\$11.3 million) to support committed investments in education, research, the Center for Clinical and Translational Sciences, the ongoing fundraising campaign and reduced but critical faculty recruitment.

Direct grant revenue is projected to decline \$30.4 million in FY2016. The reduction is comprised of three factors: the end of a \$24 million grant to Commonwealth Medicine to establish the Commonwealth's health information exchange, a projected \$4 million reduction in grants from new recruits as UMMS adjusts to reduced recruitment activity, and a reduction in related indirect cost recovery of \$5 million. The positive factor within this is that UMMS faculty have had

success in obtaining significant new awards despite the national trend of limited funding from federal and private sources. From all sources, the academic departments' portion of the research portfolio is projected to grow slightly in FY2016 from \$139 million to \$140 million.

Commonwealth Medicine is projected to contribute an additional \$3.3 million above their FY2015 net margin. The growth is based on prudent management of their business operations and expansion of services in correctional health, call centers and health care finance contracts.

MassBiologics is budgeted for an \$18.4 million improvement in net contribution from a slight loss in FY2015. The majority of the increase is a result of an anticipated milestone payment from Merck for vaccine licensing, originally anticipated in FY2015 slightly offset by losses due to initiation of new operations in Fall River, MassBiologics SouthCoast (previously the Massachusetts Accelerator for Biomanufacturing).

State appropriation revenues budgeted for FY2016 include \$3.5 million from the annualization of tuition retention for medical students in their clinical years (3<sup>rd</sup> and 4<sup>th</sup> year) begun in FY2015, and for medical students in their basic years (1<sup>st</sup> and 2<sup>nd</sup> year) anticipated to begin with the fall 2015 semester.

The budgeted tuition and fee revenue reflects the proposed increase in the medical student curriculum fee of \$2,136 for existing students, representing 10% of their current combined tuition and curriculum fee, and \$10,643 for new incoming students. Other proposed increases in non-mandatory charges will provide funds necessary to support those particular operations, but will not have a material impact on total fee revenue.

Operating expenses are flat or down in almost all areas from FY2015 to FY2016. The \$11 million growth in total operating expenses is attributable primarily to growth at MassBiologics in the vaccine manufacturing operations.

The budgeted FY2016 expenses include the operations of the MassBiologics South Coast facility, which has a net negative \$2.2 million impact on operating margin. Excluding this loss, the campuses operating margin for FY2016 is -\$9.1 million or -1.1%.

### ***Campus E&E Efforts***

Long term declines in core state support for the campus locally and limits on growth in research funding in the national economic cycle represent significant challenges for financial planning now and into the future. To meet these financial challenges UMMS initiated the Excellence Program in 2011 to manage consistent and substantive improvement in business practice and inculcate the need for operational efficiency into the UMMS culture.

The Excellence Program (EP) has been the catalyst for a number of ongoing process improvements and serves as the basis for a continuing and ongoing evaluation of business processes and operations. Because a significant portion of the UMMS operating budget, such as research funding and Commonwealth Medicine contracts for services, is restricted and thus essentially self-balancing, the operating budget must depend on increases in revenue and

efficiencies in areas such as central administrative operations to counterbalance decreases in federal and state core support.

For the past year, EP initiatives were organized into three major categories: administrative services, non-core services and consolidated services. Examples of successes include the initiation of Administrative Services Groups (ASGs) which combined small, localized support staff into more robust and self-sustaining service groups that provide greater expertise and continuity for a larger clientele, with fewer FTEs overall; sale of off-campus properties with high operational costs parallel with consolidation of the staff to the central campus; development of a consolidated contract for recycling at over 60 hospital and school locations to reduce a \$600,000 budget by approximately ten percent; and IT staff realignment, with the reduction of 43 positions whose responsibilities were strategically repositioned through 39 new hires – changing the skill set and organizational abilities and focus of IT to match current demands.

The EP also began the use of Lean methodology in its analysis of potential initiatives and to produce options for improvements in all administrative functions. Over 453 personnel have been trained in Lean methodology, with a goal of 550 by the end of FY 2015. Not only has the training brought additional rigor to the analysis of “pain points” in our operations, it has become a culture change agent which will help engrain efficiency and effectiveness as key factors in all our current and planned initiatives and services.

### ***Enrollment & Staffing Overview***

The School of Medicine will experience a rather substantial change to its student body and tuition and fee structure in the years ahead. The ongoing commitment to increasing the supply of physicians (more than half of alumni continue to practice in the Commonwealth), has meant adapting facilities and student services to accommodate 125 students per class. Given additional capacity within the School of Medicine, we will, once again, begin the process of increasing the class size to a total of 150 students.

Moreover, this will allow us to evolve the composition of our student body, which has been limited by a residency requirement. Moving forward, our school will open up a modest number of slots (25 per year) for out-of-state students, who will pay a competitive market rate. Such a move will give us a national profile in the medical education field and greatly enhance and diversify our applicant pool. The revenue captured from the out-of-state students will be augmented by fee increases for in-state students, which will range between 10 – 50% starting in FY 2016.

Projected staffing levels reflect the reduction in budgeted expenditure levels of several programs with the most notable impact in grant funded positions resulting from the decline in research grant revenues.

### ***Summary***

As a part of a great University and as a leading academic health sciences institution, UMMS has made investments in the student learning environment; in the faculty; in the research enterprise;

and in public service programs. But more broadly, our Medical School has invested in its mission of taking research discoveries, health sciences students, and the fruits of its intellectual endeavors and bringing them to bear on the most challenging health problems the world faces.

From a system-wide perspective, the campus is keenly aware that our specialized mission, world-class faculty and state-of-the-art infrastructure can be leveraged to contribute to the strategic growth of the University. That is why we are an active partner with the other campuses as demonstrated by our coordination of the UMass Center for Clinical and Translational Science, the baccalaureate-MD pathway program and the system-wide life sciences strategic plan. Over the next several years, we hope to work with the new president and the campuses to forge even closer and more productive relationships that will help to strengthen the UMass System.

In doing this, UMMS depends heavily on a consistent and adequate funding base provided by the University and the State. Such a dedicated revenue source will leverage our entrepreneurial activities and support the continued growth and success of the Commonwealth's public medical school, as well as the UMass System.

Attachments:

- Table 1: SRECNP
- Table 2: Natural Classification
- Table 3: Employee FTEs
- Table 4: Enrollment

Table 1: SRECNP

	FY13	FY14	FY15	FY16	FY15-16 Variance
<b>Worcester- Statement of Revenues, Expenses and Changes in Net Assets</b>					
<b>Operating revenues</b>					
Net tuition and fees	14,367	16,245	16,482	20,182	3,700
Government grants and contracts	207,743	195,924	211,194	170,261	(40,933)
Private grants and contracts	48,391	55,070	41,428	46,971	5,543
Local grants and contracts	-	-	-	-	-
Sales and services of educational activities	5,345	8,045	8,418	10,640	2,222
Auxiliary enterprises	29,631	31,424	24,296	24,812	516
Other revenues	554,149	552,525	458,437	515,802	57,365
<b>Total operating revenues</b>	<b>859,626</b>	<b>859,233</b>	<b>760,255</b>	<b>788,668</b>	<b>28,413</b>
<b>Operating expenses functional</b>					
Instruction	53,895	53,466	50,873	53,852	2,979
Research	215,658	213,131	201,948	172,738	(29,210)
Public Service	30,657	32,211	29,532	30,050	518
Academic Support	12,027	11,591	11,701	11,407	(294)
Student Services	5,950	5,760	5,340	5,434	94
Institutional Support	57,792	55,615	52,691	50,940	(1,751)
Operation and Maintenance of Plant	46,865	45,655	43,273	43,100	(173)
Depreciation and Amortization	62,161	63,285	63,808	65,705	1,897
Auxilliary Enterprises	22,757	22,361	22,255	22,646	391
Other Expenditures	-	-	-	-	-
Independent Operations	47,826	44,861	62,573	74,322	11,749
Public Service Activities	327,293	365,252	291,504	315,910	24,406
<b>Total operating expenses</b>	<b>882,881</b>	<b>913,188</b>	<b>835,498</b>	<b>846,104</b>	<b>10,606</b>
<b>Operating Surpluses (Deficit)</b>	<b>(23,255)</b>	<b>(53,955)</b>	<b>(75,243)</b>	<b>(57,436)</b>	<b>17,807</b>
<b>Non-operating revenues (expenses)</b>					
Federal appropriation	-	-	-	-	-
State appropriations	41,136	44,620	47,336	55,527	8,191
Local appropriations	-	-	-	-	-
Gifts	10,157	4,855	12,000	12,500	500
Investment and endowment return	16,835	28,850	14,038	12,966	(1,072)
Interest expense	(37,628)	(36,191)	(33,424)	(34,043)	(619)
Non-operating Federal Grants	-	-	-	-	-
Gain (loss) on issuance/retirement of long-term debt	-	-	-	-	-
Change in value of assets held in trust	-	-	-	-	-
Other nonoperating revenue (expense)	1,326	146	109	109	-
<b>Total non-operating revenues (expenses)</b>	<b>31,826</b>	<b>42,280</b>	<b>40,059</b>	<b>47,059</b>	<b>7,000</b>
<b>Income (loss) before other revenues, expenses, gains or losses</b>	<b>8,571</b>	<b>(11,675)</b>	<b>(35,184)</b>	<b>(10,377)</b>	<b>24,807</b>
<b>Other revenues, expenses, gains or losses</b>					
Capital appropriations	45	419	-	1,000	1,000
Capital grants	16,695	-	2,845	4,355	1,510
Capital gifts	-	-	-	-	-
Gain (loss) on sale of property, plant and equipment	(1,257)	(1,245)	947	1,000	53
Other changes in net assets	8,846	8,043	20,600	-	(20,600)
Net transfers	-	-	-	-	-
<b>Total other revenues, expenses, gains or losses</b>	<b>24,329</b>	<b>7,217</b>	<b>24,392</b>	<b>6,355</b>	<b>(18,037)</b>
<b>Change in net assets</b>	<b>32,900</b>	<b>(4,458)</b>	<b>(10,792)</b>	<b>(4,022)</b>	<b>6,770</b>

**Table 2: Natural Classification**

	FY13	FY14	FY15	FY16	FY15-16 Variance
<b>Operating expenses</b>					
Salaries	336,319	309,735	298,740	303,240	4,500
Benefits	65,095	60,951	66,679	68,035	1,356
Non-personnel expense	417,292	477,282	403,902	406,263	2,361
Scholarships and fellowships	2,014	1,935	2,369	2,861	492
Depreciation	61,320	62,720	63,415	65,312	1,897
Amortization	841	565	393	393	-
<b>Total operating expenses</b>	<b>882,881</b>	<b>913,188</b>	<b>835,498</b>	<b>846,104</b>	<b>10,606</b>

**Table 3: Employee FTEs**

	FY13	FY14	FY15	FY16
<b>Worcester - Employee FTEs</b>				
<b>UNRESTRICTED/DESIGNATED FUNDS</b>				
Faculty	271.7	244.6	244.6	253.0
Professional Staff	1,575.0	1,519.8	1,615.8	1,627.0
Classified Staff	1,034.8	753.1	741.1	746.0
<b>Total unrestricted FTEs</b>	<b>2,881.5</b>	<b>2,517.5</b>	<b>2,601.5</b>	<b>2,626.0</b>
<b>RESTRICTED FUNDS</b>				
Faculty	246.7	240.5	228.0	218.0
Professional Staff	680.0	635.3	595.1	569.0
Classified Staff	180.4	179.7	130.9	125.0
<b>Total restricted FTEs</b>	<b>1,107.1</b>	<b>1,055.5</b>	<b>954.0</b>	<b>912.0</b>
<b>Total employee FTEs</b>	<b>3,988.6</b>	<b>3,573.0</b>	<b>3,555.5</b>	<b>3,538.0</b>

**Table 4: Enrollment**

	FY13	FY14	FY15	FY16
<b>Worcester - Student Enrollment</b>				
<b>Headcount</b>				
Graduate	1,160	1,161	1,103	1,135
<b>Total headcount</b>	<b>1,160</b>	<b>1,161</b>	<b>1,103</b>	<b>1,135</b>
<b>FTEs</b>				
Graduate	1,115	1,104	1,071	1,102
<b>Total FTEs</b>	<b>1,115</b>	<b>1,104</b>	<b>1,071</b>	<b>1,102</b>



# SYSTEM OFFICE



### ***FY16 System Office Budget Overview***

The University of Massachusetts System Office (UMSO) provides overall leadership to the University, coordinates with the campuses on various academic and financial initiatives, and provides shared services in the areas of information technology, internal audit, treasury, and procurement, among others. The System Office represents the University in various ways including but not limited to with the Governor, Legislature, Executive branch agencies, the federal government and professional organizations. It also coordinates strategic planning efforts including the UMass Performance: Accountable & On The Move initiative, academic affairs across the campuses, management and fiscal affairs including efficiency and effectiveness efforts, budgeting and forecasting, capital planning, information systems, legal matters, and human resources management. Overall planning, policy development and initiation of University-wide programs are carried out through the System Office. These functions are carried out by several departments that report to the President and his Vice Presidents and are located in both Boston and Shrewsbury.

The Office of Academic Affairs, Student Affairs and International Relations (AASAIR) mobilizes system resources to ensure the high quality of the faculty, academic programs, students, and student services; to support the University's land- grant promise, which emphasizes the integration of discovery, education, and engagement; and to promote local and global innovation. AASAIR works in partnership with campus provosts as they develop and implement policy in relation to faculty – in hiring, reviewing, and mentoring, as well as in the tenure process. AASAIR works directly with the University Of Massachusetts Board of Trustees (BOT) as a liaison to the campuses to convey new campus programs; facilitate the implementation of BOT policies; answer BOT inquiries about the campuses; and report to the BOT annually on Academic Quality Assessment and Development (AQAD), the established cycle of review of academic departments and their programs, and the established cycle of review of tenured faculty, the periodic multi-year review (PMYR). The Office also serves as the University's link to the Massachusetts Board of Higher Education (BHE), bringing forward new programs from the campuses for approval to the BOT and then to the BHE. In addition the office collaborates with the Executive Office of Education on policies and initiatives relevant to the Departments of Early Childhood Education and Elementary and Secondary Education. The office provides guidance to the campuses in program development, accountability, measurement, and institutional research. Through the Performance Measurement System (PMS) Report on Annual Indicators, which is the legislatively mandated accountability system, we track numerous indicators identified under the five legislative and nine University strategic priorities. This office is also responsible for the development and production for several UMass reports that are produced annually. The office connects the campuses' chief research officers, chief student affairs officers, international relations officers, export control/compliance officers, institutional research officers, enrollment management, and admissions personnel. Campus vice chancellors for student affairs work with AASAIR, especially on issues that require compliance with Federal regulations. Likewise, the office provides guidance and works with campus research officers on the ever increasing export control compliance matters. The department also takes the lead in promoting local and global



innovation in discovery, education and engagement for the University, by fostering system-wide committees, shared programming, and international partnerships.

The Office of Administration & Finance and Treasurer houses the University Controller, Treasurer, University Budget, Human Resources, Business Continuity and the University Procurement Office. The Senior Vice President works with the campus Chancellors and Vice Chancellors for Administration & Finance to assure that development and implementation of University fiscal and management policies proceed smoothly and enhance the programmatic goals of the University. Staff supports the Board of Trustees Administration & Finance Committee to ensure 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. An ongoing part of the University's approach to sound fiscal management will be continued emphasis on clearly maintained fiscal indicators, an annual balanced budget, on time audited financial statements, a report on financial aid, and a quarterly review of the University's capital program.

The UMass President's Office Strategic Communications Department works to tell the University's story of education and impact in a compelling and purposeful way to local, national and global audiences. The department is responsible for the UMass system's marketing and communications efforts and also works closely with the University's campus communications offices. The Strategic Communications Department produces media advertising campaigns and generates media coverage aimed at bringing the UMass story to life. In addition, the department oversees the University system's digital and social media platforms.

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 resource for campuses on economic development issues. Units in the department include: the Science & Technology Unit, the Office of Technology Commercialization and Ventures (which includes the Massachusetts Technology Transfer Center), and the Donahue Institute (the public service arm of the President's Office). The University's primary economic roles are in five key areas: science and technology-based economic development, R&D and innovation partnerships with industry and other research institutions, technology commercialization and entrepreneurship, workforce development, and economic research and analysis.

The Executive Office includes the President's staff, the Board of Trustees office and the Government Relations department. The Board office is the primary point of contact for Trustees and it is responsible for the management of the quarterly board meetings. The government relations division is engaged on both the federal and state level and works with the



Congressional Delegation, the Governor, the Legislature and the Executive branch agencies to promote the University's agenda.

The Office of General Counsel provides legal advice and representation to the Board, President, Chancellors, and University administration. The General Counsel is a Special Assistant Attorney General authorized to represent the Board, the University, and its employees in state and federal courts. The General Counsel retains outside counsel if needed for specialized legal matters and regularly assesses more cost-effective options. The Office advises the Board on questions of University governance and parliamentary procedure and regularly reviews Board policies to assure these remain current and appropriate. The Office provides legal advice to the Board and University administration on a wide range of legal matters, including procurement, employment, compliance, real property, intellectual property, student issues, and diversity. Attorneys work with departments on every campus and the system office to assist departments in achieving their business goals. The Office conducts training and develops work tools to educate employees on legal issues relating to their business. These efforts increase employee efficiency by reducing the time and expense of routine business processes, including procurement, personnel, and record retention. The Office works regularly with attorneys at key state agencies, including the Attorney General's office, the Board of Higher Education, the Ethics Commission, the Supervisor of Public Records, and with counsel for the Community Colleges and State Universities.

The University of Massachusetts Information Technology Services (UITs) organization supports a wide range of constituents, both at the campuses and the System Office. They are committed to providing high quality information technology service and leadership that aligns with the mission of the University of Massachusetts. The mission of UITs is to support the advancement of the University's core activities in the areas of instruction, research, and outreach operating within a framework of shared services. This mission is founded on the following key principles:

- Providing University-wide leadership for the planning, design, and provision of high quality information technology services.
- Maintaining a reliable and technologically advanced information infrastructure.
- Ensuring the judicious use of new technologies and models of service to enhance the academic and business functions of the University

UITs, under the leadership of the Vice President and University Chief Information Officer, work in continuous collaboration with the University Information Technology Leadership Council (Campus CIO's) as well as many of the key campus disciplinary governing bodies such as the Administration and Finance Council, Academic Advisor Council and the Chief Research Council. In collaboration with these groups UITs strives to provide both technical and strategic IT guidance and support related to the major shared application systems and technologies. A critical driver is to provide a platform that contributes to the business and academic community's ability to meet their performance and outcomes goals. UITs strives to provide an environment of



high quality service and responsiveness for our peers and constituents relative to the applications and technology that they support.

University Internal Audit (“Internal Audit”) provides independent, objective assurance, consultative and investigative services designed to add value and improve the University’s operations. Internal Audit helps the University accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of its control, risk management, and governance processes. It works with a network of Audit Liaisons that are located on each campus and within the System Office to coordinate internal and external audit activities. In addition, Internal Audit reports functionally to and supports the Audit Committee of the Board of Trustees.

Headquartered at the University’s Collaborative Services Facility in Shrewsbury, UMassOnline is the University’s 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’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) marketing programs to 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.

The Office of the President works closely with the UMass Building Authority and the UMass Foundation.

### ***University Strategic Plan***

The mission of the University of Massachusetts is “to provide an affordable and accessible education of high quality and to conduct programs of research and public service that advance knowledge and improve the lives of the people of the Commonwealth, the nation and the world.”

In 2013, President Caret initiated the University’s first ever performance management report entitled UMass Performance: Accountable & On the Move to demonstrate our commitment to the responsibilities we have as the State’s public research University and the stewards of state and student dollars. The report is based on six priority areas to reflect the University’s continuing commitment to accountability, assessment, transparency, and improvement:

- Student Success
- Educated Workforce and Engaged Citizenry
- World-Class Research Enterprise



- Social Well-Being
- Good Stewards of State Resources
- Telling and Selling the UMass Story

These broad themes align generally with the Legislative and University Trustee Priorities and will be measured annually on progress toward specific goals, as appropriate for individual campuses.

This, then, constitutes the Preamble for the University's various annual reports and updates, which provide longitudinal and comparative data as well as year-to-year measureable progress toward specific goals or targets. The Preamble provides a context for the type of university that is the University of Massachusetts—a land-grant, research intensive university, comprised of five distinct campuses, with a tri-partite integrated mission of discovery, education, and engagement.

The University of Massachusetts' approach to planning begins with a system mission and goals developed by and approved by the Board of Trustees. That mission and its accompanying goals provide the foundation for campus planning which results in campus specific plans that are developed through a joint iterative process with the Board. Commensurate with the planning process, the campuses develop peer groups which are approved by the President. The approved plans and peers provide direction to the campuses which they use to chart their evolving course.

Each year the Board and the President provide guidance to the campuses relative to their progress in achieving their plans. That guidance comes through the review and approval, where appropriate, of progress reports and requests. These include: Campus strategic plans, Peer groups, Master plans, Enrollment plans, Budget (operating and capital), Programs, Annual performance goals (and any annual updates to the above). Each year, each campus updates a brief description of itself, a description that is both descriptive and based on UMass performance data (PMS Data), including peer comparisons. These campus descriptions are rolled up into a system description providing an overview of the entire system as composed of its component parts. This roll up includes a projected view of how the campuses and the system will change over the next five year period in several key areas. An annual accountability report, UMass Performance, is used to gauge progress in key areas related to the Board of Trustees goals. Those performance indicators are distributed widely, both on and off of the campuses, to enhance the communication and understanding of where the campuses are going and how well they are doing in getting there.

### ***FY15 Highlights***

FY15 was the second year of the 50/50 initiative providing additional budget investment from the Commonwealth while freezing mandatory fees at the campuses. The University has benefitted from the recovery of the overall economic health of the Commonwealth thereby allowing for additional investments. The goal of the 50/50 initiative is to have the Commonwealth support 50% of the cost of educating a student at the University.



In addition, FY15 saw a change in Leadership at the State level and the University was at the forefront participating in the transition at many levels. This transition has provided the opportunity to remind the Administration and the Legislature of the partnership that the University has with the Commonwealth and how the investments made in the University generate an estimated \$6.1 billion impact on the state's economy. Thus, every \$1 of state investment helps UMass generate \$12 in economic activity for the Commonwealth.

UMass Performance – The University released its second annual performance measurement report entitled “UMass Performance: Accountable & On the Move” in May of 2015 that uses a rating system to assess the University's progress in achieving 21 goals across six priority areas, ranging from the experiences of its students to the impact of its research to how well it manages its resources. The six categories that make up the 21 goals are: Student Experience & Success; Educated Workforce & Engaged Citizenry; World-Class Research & Development Enterprise; Enhanced Social Well-Being; Good Stewards of Resources; and Telling & Selling the UMass Story. This report is meant to serve as an annual report on progress that the University is making toward its stated goals.

Efficiencies & Effectiveness – Over the past several years, the University has focused on efficiency and effectiveness projects that generate meaningful savings for the University. This effort is currently tracking 123 projects estimated to save and avoid costs totaling \$144.4 million over the life of the projects. The University has worked hard to integrate the E&E process into its daily routine in order to demonstrate that it takes its stewardship of resources seriously.

Springfield Satellite Center - Building upon the satellite center research previously conducted by UMDI, a new, first of its kind Springfield Satellite Center opened in FY14. The Welcome Center opened in Spring 2014 and enables potential students to obtain information and register for courses at the Center and across the UMass campuses. The Academic Center opened its doors to students in September 2014, completing the construction cycle and officially planting University roots as a brick and mortar institution in the heart of downtown Springfield. The 26,000 square foot facility includes classrooms, computer labs, conference rooms, small meeting rooms, faculty and staff offices, student learning commons and lounge. In its first year of operation the Center has witnessed tremendous growth in academic activity, with course offerings increasing from 22 courses in Fall 2014 to 36 courses in Spring 2015, and enrollment increasing from 320 enrollees in Fall 2014 to 682 enrollees in Spring 2015. FY16 will surely prove to be a challenging, yet rewarding year as the Center continues to grow.

Beacon Hill Satellite Center – The UMDI is facilitating the start-up of the UMass Center at Beacon Hill. The Beacon Hill Satellite Center will provide all five campuses with the opportunity to offer classes in downtown Boston and will appeal to those working in government/ business/commercial industries who are interested in advancing their educations right in the core of the city. The Center is expected to open in January 2016 initially offering MBA, MPA, and Professional Science master's degree programs. The Center is estimated to



welcome 120 students into these programs, offering a blended online/in-classroom curriculum similar to the Springfield center.

Attachments:

- Table 1: SRECNP
- Table 2: Natural Classification
- Table 3: Employee FTEs



**Table 1: SRECNP**

	FY13	FY14	FY15	FY16	FY15-16 Variance
<b>Central- Statement of Revenues, Expenses and Changes in Net Assets</b>					
<b>Operating revenues</b>					
Net tuition and fees	7,024	6,330	6,173	6,016	(157)
Government grants and contracts	5,433	8,787	8,787	8,787	-
Private grants and contracts	3,691	3,174	3,174	3,174	-
Local grants and contracts	173	119	119	119	-
Sales and services of educational activities	2,023	2,067	2,129	2,193	64
Auxiliary enterprises	-	-	-	-	-
Other revenues	69,482	72,705	80,567	80,567	-
<b>Total operating revenues</b>	<b>87,826</b>	<b>93,182</b>	<b>100,949</b>	<b>100,856</b>	<b>(93)</b>
<b>Total operating expenses</b>	<b>88,734</b>	<b>86,688</b>	<b>80,843</b>	<b>90,865</b>	<b>10,022</b>
<b>Operating expenses functional</b>					
Instruction	12,507	10,414	11,092	12,467	1,375
Research	3,084	5,159	3,559	4,000	441
Public Service	1,144	2,823	1,582	1,778	196
Academic Support	-	-	-	-	-
Student Services	-	-	-	-	-
Institutional Support	60,064	61,850	55,224	62,070	6,846
Operation and maintenance of plant	6,288	449	3,979	4,473	493
Auxiliary enterprises	-	-	(1,034)	(168)	866
Scholarships and fellowships	6	6	6	6	-
Depreciation and amortization	5,641	5,144	6,435	6,239	(196)
<b>Total operating expenses</b>	<b>88,734</b>	<b>85,845</b>	<b>80,843</b>	<b>90,865</b>	<b>10,022</b>
<b>Operating Surpluses (Deficit)</b>	<b>(908)</b>	<b>6,494</b>	<b>20,106</b>	<b>9,991</b>	<b>(10,115)</b>
<b>Non-operating revenues (expenses)</b>					
Federal appropriation	-	-	-	-	-
State appropriations	10,847	-	-	0	0
Local appropriations	-	-	-	-	-
Gifts	-	-	-	-	-
Investment and endowment return	4,984	8,543	106	323	217
Interest expense	(680)	(103)	(3,722)	(3,722)	-
Non-operating Federal Grants	-	-	-	-	-
Gain (loss) on issuance/retirement of long-term debt	-	-	-	-	-
Change in value of assets held in trust	-	-	-	-	-
Other nonoperating revenue (expense)	345	32	32	32	-
<b>Total non-operating revenues (expenses)</b>	<b>15,496</b>	<b>8,472</b>	<b>(3,584)</b>	<b>(3,366)</b>	<b>217</b>
<b>Income (loss) before other revenues, expenses, gains or losses</b>	<b>14,588</b>	<b>14,966</b>	<b>16,522</b>	<b>6,624</b>	<b>(9,897)</b>
<b>Other revenues, expenses, gains or losses</b>					
Capital appropriations	-	-	-	-	-
Capital grants	-	5,200	-	-	-
Capital gifts	-	-	-	-	-
Gain (loss) on sale of property, plant and equipment	-	-	-	-	-
Other changes in net assets	1,326	(12,764)	-	-	-
Net transfers	-	-	-	-	-
<b>Total other revenues, expenses, gains or losses</b>	<b>1,326</b>	<b>(7,564)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Change in net assets</b>	<b>15,914</b>	<b>7,402</b>	<b>16,522</b>	<b>6,624</b>	<b>(9,897)</b>



**Table 2: Natural Classification**

	FY13	FY14	FY15	FY16	FY15-16 Variance
<b>Central- Statement of Revenues, Expenses and Changes in Net Assets</b>					
<b>Operating expenses</b>					
Salaries	36,595	39,374	38,537	40,195	1,658
Benefits	9,571	10,598	10,747	11,998	1,250
Non-personnel expense	36,921	31,566	25,118	32,427	7,309
Scholarships and fellowships	6	6	6	6	-
Depreciation	5,641	5,256	6,606	6,405	(201)
Amortization	-	(112)	(171)	(167)	5
<b>Total operating expenses</b>	<b>88,734</b>	<b>86,688</b>	<b>80,843</b>	<b>90,865</b>	<b>10,022</b>

**Table 3: Employee FTEs**

	FY13	FY14	FY15	FY16
<b>Central - Employee FTEs</b>				
<b>UNRESTRICTED/DESIGNATED FUNDS</b>				
Faculty	-	-	-	-
Professional Staff	315.5	328.7	338.8	342.8
Classified Staff	8.1	2.9	2.9	2.9
<b>Total unrestricted FTEs</b>	<b>323.6</b>	<b>331.6</b>	<b>341.7</b>	<b>345.7</b>
<b>RESTRICTED FUNDS</b>				
Faculty	-	-	-	-
Professional Staff	68.8	56.0	56.0	56.0
Classified Staff	20.0	-	-	-
<b>Total restricted FTEs</b>	<b>88.8</b>	<b>56.0</b>	<b>56.0</b>	<b>56.0</b>
<b>Total employee FTEs</b>	<b>412.4</b>	<b>387.6</b>	<b>397.7</b>	<b>401.7</b>