

ANNUAL REPORT  
OF THE  
UNIVERSITY OF MASSACHUSETTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

The following Annual Report of the University of Massachusetts (the “University” or “UMass”) is submitted in connection with Continuing Disclosure Agreements for bonds issued by the Massachusetts Development Finance Agency (MDFA) or its predecessor agency, the Massachusetts Health and Educational Facilities Authority (MHEFA), as follows:

- MHEFA \$99,325,000 Revenue Bonds, Worcester City Campus Corporation Issue (University of Massachusetts Project), Series D (2005)
- MHEFA Variable Rate Demand Revenue Bonds, University of Massachusetts Issue, Series A
- MDFA \$29,970,000 Revenue Refunding Bonds, University of Massachusetts Issue, Series 2011
- MDFA \$10,495,000 Revenue Refunding Bonds, Worcester City Campus Corporation Issue (University of Massachusetts Project), Series 2011

In addition, audited financial statements for the University for the fiscal year ending June 30, 2017 are submitted with the operating data set forth below.

The Worcester City Campus Corporation is submitting its audited financial statements for the year ending June 30, 2017 as its Annual Report filing.

### HISTORY AND MISSION

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.*” For Fall 2017, the University enrolled 74,572 students. 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, which in academic year 2016-2017 offered approximately 1,500 online and blended courses and had 75,565 course enrollments.

The University was rated as one of the world’s best universities in the *Times Higher Education* of London’s “World University Rankings” for 2017-2018. UMass was ranked 191<sup>st</sup> out of the top 400 universities in the world and was the only public university in New England to be listed in the global top 200. The University was ranked fifth highest in Massachusetts, eighth highest in New England, 31<sup>st</sup> highest in American public universities and 60<sup>th</sup> highest of all American institutions (public or private). In addition, all four of the UMass undergraduate campuses were rated in the “National Universities” category in *U.S. News & World Report’s* (“*U.S. News*”) Best Colleges rankings – making UMass one of the few university systems in the nation to have each campus so acclaimed. Adding to its global reputation, total research and development expenditures at the University reached approximately \$670 million in fiscal year 2017, marking the eighth straight year that the University has exceeded the \$500 million mark.

### UNIVERSITY CAMPUSES

The University is composed of five campuses, spread across the Commonwealth in Amherst, Boston, Dartmouth, Lowell and Worcester. Each campus has a unique history and plays a unique role in helping the University meet its mission.

## **Amherst Campus**

The Amherst campus (“UMass Amherst” or the “Amherst Campus”), the University’s flagship campus approximately 90 miles west of Boston, is the largest in the University system. With a student body of 23,514 full-time equivalent (“FTE”) undergraduate and 5,198 FTE graduate students enrolled in Fall 2017, the Amherst Campus offers the most comprehensive and varied programs of the campuses in the University system, including liberal arts and professional programs, in addition to doctoral and research programs. It offers six associate-level programs and 112 bachelor’s, 77 master’s and 48 doctoral degree programs. During the 2016-2017 academic year, 34 associate’s, 6,111 bachelor’s, 339 undergraduate certificates, 1,759 advanced degrees (including 367 doctorate degrees) and 85 graduate certificates were conferred. Students may enroll in the College of Education, College of Engineering, College of Humanities and Fine Arts, College of Information and Computer Sciences, Isenberg School of Management, College of Nursing, College of Natural Sciences, School of Public Health and Health Sciences, College of Social and Behavioral Sciences and the Stockbridge School of Agriculture.

The 1,400-acre Amherst Campus includes more than 13 million square feet in buildings, including the 28-story W.E.B. DuBois Library, containing over six million volumes including eBooks as well as governmental documents and law collections, the 9,000-seat multi-purpose arena, the William D. Mullins Center, and 52 campus residence halls in seven unique residential areas. Since 2008, the campus opened the Studio Arts Building, the Central Heating Plant, a new student recreation center, an integrated sciences building, a new Campus Police Station and Emergency Operations Center (which was the first new construction on campus to meet LEED certification standards), the Life Science Laboratories Complex and a 1400-bed residential and classroom Commonwealth Honors College complex. A state-of-the-art classroom and academic facility opened in Fall 2014 and a completely renovated South College and a new innovative wood-constructed Design Building opened in January 2017. The iconic Old Chapel, closed since 1986 and listed on the National Register of Historic Places in 2015, underwent a complete renovation and opened in late 2016.

The Amherst campus is an AASHE (Association for the Advancement of Sustainability in Higher Education) STARS Gold Campus and is ranked in Princeton Review’s *Top 50 Green Colleges* list. The Amherst campus continues to develop its sustainable infrastructure, including installing the largest solar project on a college campus in New England and a commitment to ensuring that all new construction is 100% LEED-certified.

The Amherst Campus is now ranked 29<sup>th</sup> among national public universities by *U.S. News*. The 2016 report of The Center for Measuring University Performance, “The Top American Research Universities 2016 Annual Report,” ranks UMass Amherst 65<sup>th</sup> for total research and 66<sup>th</sup> for federal research expenditures among public research institutions. The Amherst Campus ranks 21<sup>st</sup> in faculty awards among public research universities and is in the top 70 on a number of other measures of competitive success – national academy memberships, doctorates awarded, and postdoctoral appointees. During fiscal year 2017, a total of 1,062 awards were secured for a total of approximately \$146.3 million, including 420 federal awards totaling approximately \$84.7 million.

In 2016, UMass Amherst completed its first major capital campaign – the largest in Massachusetts public higher education history – by raising \$379.0 million, exceeding the \$300.0 million goal one year ahead of schedule.

## **Boston Campus**

The 175-acre Boston campus (“UMass Boston” or the “Boston Campus”), which is located three miles from downtown Boston on a harbor peninsula with the nearby John F. Kennedy Presidential Library and Museum (the “JFK Library”), the Edward M. Kennedy Institute for the United States Senate (the “Kennedy Institute”) and the Massachusetts State Archives and Commonwealth Museum (the “State Archives”), is currently a non-residential campus; however, the campus will open its first student housing facility with beds for approximately 1,050 students in Fall 2018. The Boston Campus focuses on the academic needs of the local urban and non-traditional populations and the research and policy needs of business, government and communities in the greater Boston metropolitan region. The Boston Campus has a diverse student body consisting of 10,416 FTE undergraduate students and 2,620 FTE graduate students enrolled in Fall 2017. The Boston Campus offers 69 undergraduate degree programs, 13 undergraduate certificate programs, 1 post-bachelor certificate program, 49 master’s programs, 52 graduate certificate programs, and 29 doctoral programs through the College of Liberal Arts, College of Science and Mathematics, College of Management, College of Nursing and Health Sciences, College of Public and Community Service, McCormack

Graduate School of Policy and Global Studies, College of Education and Human Development, College of Advancing and Professional Studies, School for Global Inclusion and Social Development, and School for the Environment.

During the 2016-2017 academic year, the Boston Campus conferred 342 certificates, 2,658 bachelor's and 1,075 advanced degrees.

The Boston Campus is the only educational institution in the Northeast to share its campus with a presidential library. The students and faculty have access to the JFK Library, as well as to the State Archives, which houses valuable Massachusetts historic and state government records. The Boston Campus also has over 550,000 books and journals at its Healey Library.

UMass Boston completed the construction of the Integrated Sciences Complex in Fall 2015 and a general academic building known as University Hall was opened for the 2016 spring semester. Additionally, the Kennedy Institute opened in Spring 2015. The Integrated Science Complex and University Hall are both operated by the Boston Campus. The Kennedy Institute is operated by a charitable organization registered in the District of Columbia with the same name and is owned by the University of Massachusetts Building Authority ("UMBA"). The Kennedy Institute operates as a civic, academic and research institution focused on the study of the United States Senate. Although the Kennedy Institute has broad public access and is available for target groups outside of the University, one of the primary purposes of the Kennedy Institute is to enhance the academic and research environment available to the students and faculty of the University. Due to the multi-purpose nature of the Kennedy Institute, the University's annual financial commitment for the capital and operating expenses of the Kennedy Institute is limited to approximately \$1.25 million.

On May 19, 2010, UMBA purchased the Bayside Exposition Center (the "Bayside Site") for \$18.7 million. The 20-acre Bayside Site is approximately one-half mile from the Boston Campus and will help meet the space needs of the Boston Campus as it begins to develop new campus facilities and renovate outdated existing facilities. The acquisition of the Bayside Site has initiated a University-led planning process to create a vision for redeveloping the site to further University and local objectives. UMass Boston plans to work with the City of Boston, the Commonwealth, neighbors and the surrounding communities to develop a plan that realizes the potential of the Bayside Site, stimulates economic activity, creates jobs and brings greater activity and opportunity to the region. In the interim, the Bayside Site will allow the University to replace parking eliminated during ongoing campus construction.

UMass Boston's 25-year capital plan calls for the redevelopment of the campus with new and renovated facilities, new infrastructure and green space for greater access to and engagement with the public. The first ten years of the capital plan, launched in 2007, calls for more than \$500 million in new facilities and infrastructure construction on the Boston Campus. UMass Boston expects to open its first-ever student dormitory in September 2018, achieving a long-held goal of providing students with an on-campus residential option.

### **Dartmouth Campus**

The Dartmouth campus ("UMass Dartmouth" or the "Dartmouth Campus") distinguishes itself as a vibrant public research university dedicated to engaged learning and innovative research resulting in personal and lifelong student success. The Dartmouth Campus serves as an intellectual catalyst for economic, social and cultural transformation on a global, national and regional scale. The Dartmouth Campus offers 57 undergraduate and 47 graduate programs of study (including 14 at the Doctorate level) through the College of Arts and Sciences (with a School of Education), the Charlton College of Business, the College of Engineering, the College of Nursing, the College of Visual and Performing Arts, the School for Marine Science and Technology and the University of Massachusetts School of Law (the "Law School"). The main campus, designed by the eminent architect Paul Rudolf, is located on 710 acres in Dartmouth and is approximately 55 miles south of Boston and 30 miles east of Providence, Rhode Island. Other Dartmouth Campus sites include the Law School in Dartmouth, the School for Marine Science and Technology on the waterfront in New Bedford, the Star Store Center for the Arts in New Bedford, the Center for Innovation & Entrepreneurship in Fall River and offices in New Bedford, Fall River and Fairhaven. On July 1, 2017, Dr. Robert E. Johnson became Chancellor of UMass Dartmouth.

On February 2, 2010, the Massachusetts Board of Higher Education issued approval for UMass Dartmouth to offer the Juris Doctor (J.D.) degree and the Law School was established as the first public law school in the Commonwealth. Through the donation of assets to the University of Massachusetts Foundation, Inc. (the “Foundation”), including the facility, equipment, systems and furnishings from an existing private law school, Southern New England School of Law (“SNESL”), the Dartmouth Campus admitted the first class of new students to the Law School in August 2010. The Law School prepared a comprehensive self-study for consideration of provisional American Bar Association (“ABA”) accreditation and received an ABA site visit; the final decision for provisional accreditation was granted on June 12, 2012. On December 6, 2016, the Law School received full accreditation from the ABA. Despite downturns in admissions to law schools across the country, the Fall 2017 overall enrollment grew to 202 students. The Law School has a public-service focus, with a curriculum concentrating on civil and human rights, legal support for businesses, economic justice and community law. The operating plan for the Law School calls for further increases in enrollment, the bar pass rate, employment rate, and reputation, as well as assuring compliance with ABA standards.

The Dartmouth Campus had 6,048 FTE undergraduate and 1,238 FTE graduate students enrolled in Fall 2017. During the 2016-2017 academic year, 37 undergraduate certificates, 1,421 bachelor’s and 540 advanced degrees/certificates were conferred. In the most recent edition of the *U.S. News* “America’s Best Colleges” report, UMass Dartmouth achieved a National Tier 1 designation for the first time in its history, rising from its previous designation as a regional university. The College of Engineering is listed among the best undergraduate engineering programs in the country, as are the online programs. The Dartmouth Campus, which is implementing its strategic plan, UMassDTransform2020, weaves the research, academic, creative and community service activities of faculty and graduate students into the undergraduate experience and into the economic and cultural life of southeastern Massachusetts and beyond. Areas of focus for the strategic plan include marine science, law and public policy, K-12 education, healthcare and economic development.

In Fall 2016, the Dartmouth campus opened the Charlton College Learning Pavilion, providing approximately 22,000 square feet of classrooms, meeting spaces, an auditorium and technology-enhanced space. In Fall 2017, the Dartmouth Campus opened the \$55 million expansion of the School for Marine Science and Technology in New Bedford.

In 2016, UMass Dartmouth was officially designated as a Doctoral University – Higher Research Activity (R2) by the National Carnegie Classification of Institutions of Higher Education at the Center for Postsecondary Research at Indiana University, achieving a major milestone for the University and the region. UMass Dartmouth is the only Massachusetts research university located south of Boston. This designation elevated UMass Dartmouth from its previous designation as a Master’s University.

## **Lowell Campus**

The Lowell Campus (“UMass Lowell” or the “Lowell Campus”) is a doctoral-level research university committed to educating students for lifelong success and conducting hands-on research and outreach that sustains the economic, environmental and social health of the world.

Located in the historic industrial city of Lowell, approximately 25 miles northwest of Boston, the campus spans more than 125 acres along the Merrimack River in three campus clusters – North, South and East. The Lowell Campus had a student body of 11,664 FTE undergraduate and 2,759 FTE graduate students in Fall 2017. The Lowell Campus offers four associate’s, 115 bachelor’s, 48 master’s and 26 doctoral degree programs through the College of Fine Arts, Humanities and Social Sciences, the Kennedy College of Sciences, the Francis College of Engineering, the Zuckerberg College of Health Sciences, the Manning School of Business, and the College of Education. The most recent additions to UMass Lowell’s degree inventory are a bachelor’s degree in Art/Animation & Interactive Media and in Public Health. During the 2016-2017 academic year, 157 associate’s degrees and undergraduate certificates, 2,564 bachelor’s degrees and 1,552 advanced degrees/certificates were conferred.

UMass Lowell’s dramatic transformation has been driven by the campus’ “2020 Strategic Plan”, which led to rapid gains in enrollment, retention, student achievement, research expenditures, and fundraising. Undergraduate enrollment has increased 54% since Fall 2008, with 35% of full-time undergraduates now living on what had historically been a commuter campus. The Fall 2017 incoming class is among the strongest in UMass Lowell history,

with an average SAT score of 1225, and an average high school GPA of 3.55. Since Fall 2011, freshmen retention has increased from 79% to 86%, the four-year graduation rate has increased from 28% to 40%, and the six-year graduation rate has increased from 50% to 60%. UMass Lowell's 1,616-student Honors College, established in 2014, had a one-year retention rate of 93%.

The Lowell Campus continues to receive new honors and accolades. The Commonwealth Institute and the Boston Globe Magazine ranked UMass Lowell No. 4 among the Top Women-led Businesses in Massachusetts. The new Pulichino Tong Business Center, home to the Manning School of Business, was awarded LEED Gold certification in 2017. And in 2018 *U.S. News* named three UMass Lowell online graduate programs — education, information technology, and criminal justice — among the top 15 in the nation. Its online bachelor's degrees were ranked No. 22 nationally and No. 3 in New England.

During the last eight years, 14 buildings have been constructed, acquired and redeveloped, fully renovated or built via public-private partnership on the Lowell Campus. In 2009, UMBA purchased the former Doubletree Hotel in downtown Lowell and converted the property into the UMass Lowell Inn & Conference Center (the "ICC"), a multi-purpose property that provides hotel accommodations, high-quality conference space and housing for 500 students. In 2010, UMBA acquired the 6,500-seat Tsongas Arena from the City of Lowell, renaming it the Tsongas Center at UMass Lowell and hosting hockey and basketball games, concerts, functions, University events and other community activities. In 2011, UMBA purchased the former St. Joseph's Hospital in Lowell, redeveloping it as University Crossing, an important connection point among UMass Lowell's North, South and East campuses that has become a vibrant hub for students and the community since opening in 2014.

The \$80 million, 84,000-square-foot Mark and Elisia Saab Emerging Technologies and Innovation Center (the "Saab Center") opened in October 2012 as the first new academic building on campus in more than three decades. The opening of the Saab Center was followed by the opening of the \$40 million Health and Social Sciences Building in 2013. Also in 2013, UMass Lowell opened the \$54 million University Suites residence hall, providing suite-style housing for 472 students. A second suite-style residence hall, Riverview Suites, with housing for 800 students, was built by a private developer for lease by UMass Lowell in 2013 with the second phase completed in 2015. In 2014, the Charles J. Hoff Alumni Scholarship Center opened following a private developer's historic renovation and lease to the campus. In 2015, the McGauvran Center reopened as a hub for dining, learning and gathering, following a \$34 million renovation and expansion. During that span, two parking garages were also constructed at a total cost of \$40 million.

The campus's 13<sup>th</sup> building since 2009, the \$40 million Pulichino Tong Business Center, opened in April 2017. UMass Lowell purchased the \$61.5 million Residences at Perkins Park and the Lofts at Perkins Park near East Campus and reopened it in fall of 2017 as River Hawk Village. A renovation of Perry Hall, which houses UMass Lowell's engineering programs and is intended to encourage additional industry partnerships, is in progress with a January 2019 completion date anticipated. In 2015, UMass Lowell launched a \$27 million project with the Commonwealth's Accelerated Energy Program (AEP) that is expected to generate \$1.5 million in annual energy savings and reduce campus-wide energy usage by 20% or more.

In July 2013, UMass Lowell athletics officially elevated to Division I in all sports, with 17 sports joining the America East Conference. The reclassification to full Division I status is a four-year process, which UMass Lowell formally completed in August of 2017. The ice hockey program has competed in Division I since 1983 and is a member of Hockey East.

## **Worcester Campus**

The Worcester campus ("UMass Worcester" or the "Worcester Campus") provides general and specialized medical education, engages in a comprehensive program of basic scientific and clinical research, and provides graduate level training in biomedical sciences and nursing. As Massachusetts' first and only public medical school, the Worcester Campus takes seriously its mission to improve the health and well-being of the people of the Commonwealth and the world through pioneering advances in education, research, and health care delivery. Founded in 1962 by the Massachusetts Legislature and sited in Worcester in 1965, the Worcester Campus welcomed its first class of 16 medical students in 1970. Less than fifty years later, the Worcester Campus has become an internationally renowned hub for medical education, biomedical research, and health care innovation.

UMass Worcester's academic community, which is nationally recognized for primary care education and classified by the Carnegie Foundation as a community-engaged institution, has grown to include residency and fellowship training, graduate education in nursing and the biomedical sciences, inter-professional training in allied health professions, and continuing education for health care practitioners. The three graduate schools—the School of Medicine (the “School of Medicine” or “Medical School”), the Graduate School of Biomedical Sciences, and the Graduate School of Nursing—educate approximately 1,100 medical, science and nursing students. In collaboration with its primary clinical partner, UMass Memorial Health Care, Inc., the Worcester Campus operates a large post-graduate medical residency and fellowship program that annually trains more than 575 residents and fellows.

The School of Medicine has provided medical students with an accessible and exceptional academic experience that optimally prepares them to become physicians who are caring, competent, productive, and self-fulfilled in their chosen career. The Graduate School of Biomedical Sciences, composed of the Basic & Biomedical Sciences and Clinical & Population Health Research divisions, trains students in their selected specialty area while emphasizing a broad background in the basic biomedical sciences in preparation for research that is directly relevant to human disease. The Graduate School of Nursing provides high quality master's and doctoral-level preparation for advanced-practice nurses and nurse educators. In 2012, the educational program leading to the MD degree was successfully re-accredited by the Liaison Committee on Medical Education (“LCME”), for a full eight-year cycle. In addition, the New England Association of Schools and Colleges (“NEASC”) engaged in a comprehensive re-accreditation process that included a site visit from an external evaluation team. The Worcester Campus received the NEASC re-accreditation for the maximum term in May 2013. While the academic community has evolved over the years, UMass Worcester's commitment to its founding public mission remains steadfast. UMass Worcester educates the future physicians, researchers and nurses for the Commonwealth. Alumni survey data indicate that 62% of graduates establish their careers in Massachusetts, including 58% of physician graduates, 64% of biomedical scientist graduates and 88% of nursing graduates.

The Worcester Campus is recognized as a national leader in primary care training as evidenced by its consistent position among the top ten percent of all medical schools for primary care in *U.S. News and World Report's Annual Graduate School Rankings*. UMass Worcester was named best in New England and 14<sup>th</sup> nationally for primary care in the most current rankings. UMass Worcester has recently expanded its public service mission to respond to the growing opioid epidemic in Massachusetts and across the nation. UMass Worcester has emerged as a state and national leader in developing and implementing an opioid conscious curriculum for medical and nursing students.

Given its commitment to primary care and to educating the next generation of physicians for the state, the Worcester Campus plays an important and unique role in helping to address the health care workforce needs of Massachusetts. The Medical School has aligned itself with the Association of American Medical Colleges' recommendation that medical schools increase the number of physicians they educate to help address the looming shortage of doctors, especially those in primary care fields. Over the last several years, the Worcester Campus has been committed to expanding class size in the School of Medicine. This year's first-year class has grown to 162 students, including a small cohort of 31 out-of-state students. This class size expansion has necessitated identifying and partnering with additional clinical affiliates to ensure that the Medical School continues to offer an outstanding educational experience. In 2015, the Worcester Campus announced a new affiliation with Cape Cod Hospital in Hyannis, as well as the establishment of its first-ever regional campus in partnership with Baystate Health in Springfield.

As of the Fall of 2017, the Worcester Campus student body was composed of 1,074 FTE medical, nursing and biomedical science students, who are enrolled in one of six master's or six doctoral degree programs. In addition, the Worcester Campus educational community includes 461 residents and 114 fellows in residency and fellowship training programs accredited by the Accreditation Council for Graduate Medical Education (“ACGME”). The Worcester Campus Graduate Medical Education enterprise consists of 20 core residency programs and 33 fellowship programs, all of which are accredited by their respective accreditation bodies.

Consistent with its strategic plan and mission, the Worcester Campus also supports a highly productive and collaborative research enterprise. Between FY2016 and FY2017, R&D expenditures increased by more than ten percent to \$20 million. The Worcester Campus closed FY2017 with more than \$250 million in sponsored research awards, of which \$200 million came from federal funding sources. Importantly, for the first time in its history, the

Worcester Campus ranked in the top 30 of all U.S. Medical Schools for NIH Funding in 2017, according to the Blue Ridge Institute for Medical Research.

### **UMassOnline**

In February 2001, the University launched UMassOnline, the University's system-wide online education consortium. Headquartered at the President's Office Collaborative Services Facility in Shrewsbury, Massachusetts, UMassOnline enables the University to provide greater access to its educational programs and to increase revenues that can be used to support the campuses. In fiscal year 2017, UMassOnline and the Continuing Education units at the five campuses collaboratively generated tuition revenue of \$104.9 million and supported over 75,565 course enrollments.

UMassOnline's mission is to provide access to a University of Massachusetts education to students who are unable to attend one of the campuses, serving community needs for education in the critical areas of economic development, health and welfare and education, and raising revenues for support of students, faculty, teaching, outreach and research. To this end, UMassOnline supports the campuses in developing, growing and marketing online programs by funding the development of new online programs, and providing faculty support, development and training. UMass Online also provides technology support and creates and maintains a robust platform for online learning, assessing new teaching and learning technologies, and deploying marketing programs that will position the University as a high-quality national leader in online higher education, as well as increase online course and program enrollments in the Massachusetts, New England, national and international markets.

In academic year 2016-2017, the University offered over 160 online degrees, certificates and continuing medical education programs, as well as 1,500 online and blended courses.

### **The University of Massachusetts Club**

The University, acting through UMBA, has established an Alumni dining club, known as "the University of Massachusetts Club" or the "Club." The Club opened on October 31, 2005 and is now located on the 32<sup>nd</sup> floor of One Beacon Street in downtown Boston. As of August 1, 2015, the Club was managed by the not-for-profit organization University Services, Inc.

## **UNIVERSITY RELATED ORGANIZATIONS**

The financial statements of the University include the University and certain other organizations that have a significant relationship with the University. The financial statements include the University's blended component units, which are UMBA, a public instrumentality of the Commonwealth created by Chapter 773 of the Acts of 1960 of the Commonwealth, as amended, the Worcester City Campus Corporation ("WCCC"), a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code of 1986, and the University of Massachusetts Amherst Foundation, Inc. (the "UMass Amherst Foundation"), a tax-exempt organization that was established in 2003.

The purposes of UMBA are to provide dormitories, dining commons and other buildings and structures for use by the University and other entities associated with the University and to issue bonds to finance such projects. The University created WCCC in 1992 to purchase various assets of Worcester City Hospital, to operate as a real estate holding company, and to foster and promote the growth, progress, and general welfare of the University's Worcester Campus and all of its locations. The subsidiaries of WCCC include Worcester Campus Services, Inc. ("WCS") and U Health Solutions, Inc. ("UHS") (formerly Public Sector Partners, Inc. ("PSP")). WCS has 12 real estate holding company subsidiaries. Through its Board of Directors, the UMass Amherst Foundation leads and supports private fundraising on behalf of UMass Amherst faculty, students and facilities.

The University's discretely presented component units are the University of Massachusetts Foundation, Inc. (the "Foundation") and the University of Massachusetts Dartmouth Foundation, Inc. (the "Dartmouth Foundation"). These foundations are tax-exempt organizations related to the University and were established to foster and promote the growth, progress and general welfare of the University and to solicit, receive and administer gifts and donations for such purposes. The Foundation manages the majority of the University's endowments, including the endowment

of the UMass Amherst Foundation. The Foundation and the Dartmouth Foundation are reported in the financial statements of the University as part of the University Related Organizations.

## **GOVERNANCE**

Under the General Laws of the Commonwealth (the “General Laws”), the University is governed by a Board of Trustees (the body herein called the “University Trustees” or the “Board of Trustees of the University”) under the coordinating authority of the Commonwealth’s Department of Higher Education (“DHE”) (successor to the Commonwealth Board of Higher Education). 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 “President”).

The General Laws give the University Trustees the authority to govern the University and to appoint the President, the Chancellors (the senior administrative officers of each campus) 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, including, for example, tuition, certain student fees, grants and contracts, and funds used to support certain self-sufficient operations within the University. See “UNIVERSITY REVENUES AND BUDGETING” below. 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 (the “Governor”). 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.

### **Department of Higher Education**

The University is subject to the coordinating authority of the Department of Higher Education (“DHE”), which has the statutory responsibility to develop, foster and advocate for the public higher education system in Massachusetts (which consists of the University, nine state universities, and 15 community colleges), to review and establish tuition at the state universities and the community colleges, to approve changes in academic programs at these institutions, and to collaborate with the public institutions of higher education in order to identify and define institutional missions.

The Board of the DHE consists of 13 voting members; one of whom is the Secretary of Education, nine members appointed by the Governor reflecting regional geographic representation and three members chosen to represent public institutions of higher education. Of the members appointed by the Governor, at least one must be a representative of organized labor, one must be a representative of the business community and one must be a full-time undergraduate student at a public institution of higher education. Of the members chosen to represent public institutions of higher education, one must be a member of the Board of Trustees of the University as voted by the University Trustees, one must be a member of a board of trustees of a state university chosen by vote of the chairs of the boards of trustees of each of the state universities, and one must be a member of a board of trustees of a community college chosen by vote of the chairs of the boards of trustees of each of the community colleges. Three of the DHE members appointed by the Governor are appointed for terms coterminous with that of the Governor. The undergraduate members of the Board of the DHE are appointed annually. The remaining members are appointed to serve five-year terms. The chairperson of the Board of the DHE is selected by the Governor.

## Board of Trustees

The present members and officers of the University Trustees, their original appointment dates and the expiration dates of their respective current terms are set forth below. The term expiration date is September 1 of the applicable year; however, University Trustees generally continue to serve until a successor University Trustee is appointed.

<b>Name and Position; Month and Year Initially Appointed</b>	<b>Current Term Expiration Date</b>
Robert J. Manning, <i>Board of Trustees Chair</i> , Swampscott <i>Appointed August 2015</i> Chairman and Co-CEO, MFS Investment Management	2021
R. Norman Peters, Esq., <i>Board of Trustees Vice Chair</i> , Paxton <i>Appointed September 2009</i> Partner, Peters & Sowyrda	2019
James R. Buonomo, Shrewsbury <i>Appointed April 2013</i> Former Chief Financial Officer & Chief Strategy Officer, Nypro, Inc. (retired)	2018
Mary L. Burns, Lowell <i>Appointed December 2016</i> Principal, Splash Media Group Boston, LLC	2021
Derek J Dunlea, Randolph <i>Voting Student Member, Appointed April 2017</i> University of Massachusetts Amherst	2018
Robert Epstein, Brockton <i>Appointed September 2015</i> President & CEO, Horizon Beverage Group	2020
David G. Fubini, Boston <i>Appointed April 2013</i> Senior Lecturer, Harvard Business School	2018
Maria D. Furman, Wellesley <i>Appointed November 2009</i> Former Managing Director and Bond Portfolio Manager of Standish Mellon Asset Management (retired)	2019
Stephen R. Karam, Fall River <i>Appointed September 2017</i> Principal, Karam Financial Group	2022
Gray R. Milkowski, Boston <i>Non-voting Student Member, Appointed April 2017</i> University of Massachusetts, Boston	2018
Michael O'Brien, Southborough <i>Appointed December 2016</i> Vice President, WinnCompanies	2021
Kerri Osterhaus-Houle, M.D., Hudson <i>Appointed September 2007</i> Partner, Women's Health of Central Massachusetts, PC	2018

Imari K. Paris Jeffries, M.Ed., M.A., Boston <i>Appointed December 2016</i> Executive Director, Parenting Journey	2021
James A. Peyser, MALD, Milton <i>Appointed January 2015</i> Secretary of Education, Executive Office of Education Commonwealth of Massachusetts	<i>Serves ex-officio</i>
Malinda E. Reed, Lowell <i>Non-voting Student Member, Appointed April 2017</i> University of Massachusetts, Lowell	2018
Samantha E. Reid, Leominster <i>Non-voting Student Member, Appointed April 2017</i> University of Massachusetts Dartmouth	2018
Henry M. Thomas, III, J.D., Springfield <i>Appointed September 2007</i> President, Urban League of Springfield, Inc.	2017
Steven A. Tolman, Brighton <i>Appointed September 2017</i> President, Massachusetts AFL-CIO	2022
Victor Woolridge, Springfield <i>Appointed November 2009</i> Vice President, Barings	2019
Charles F. Wu, MBA, Newton <i>Appointed December 2016</i> Senior Lecturer, Harvard Business School Founding Partner, Baynorth Capital, LLC	2021
Camilla D. Yu, Worcester <i>Voting Student Member, Appointed April 2017</i> University of Massachusetts Medical School	2018

### **Administrative Officers**

The following is a list of the current administrative officers of the University.

*Martin T. Meehan, J.D., age 61*

Martin T. Meehan, J.D., began his term as President of the University on July 1, 2015. Mr. Meehan was previously the Chancellor of the Lowell Campus since July 2007. Prior to that, Mr. Meehan represented the Fifth Congressional District of Massachusetts in the U.S. House of Representatives since 1993. He has also served as the First Assistant District Attorney for Middlesex County from 1991 to 1992. Mr. Meehan was also the Director of Public Affairs for the Massachusetts Secretary of the Commonwealth and the Deputy Secretary of State for Securities and Corporations from 1986 to 1990. Mr. Meehan earned his B.S. in Education and Political Science from the University of Massachusetts, Lowell, a Master's degree in Public Administration from Suffolk University and a J.D. degree from Suffolk University Law School. He holds honorary degrees from Suffolk University, Green Mountain College in Vermont and Shenkar College of Engineering & Design in Israel.

*James R. Julian, Jr., J.D., Executive Vice President and Chief Operating Officer, age 56*

James R. Julian, Jr., J.D., has been the Executive Vice President at the University since January 1996. Prior to joining the University, he served as Chief of Staff and Counsel for the former Massachusetts Senate President, William M. Bulger, from 1991 to 1996. He holds a B.S. degree in Political Science from Suffolk University and a J.D. degree from the New England School of Law.

*Katherine S. Newman, Ph.D., Senior Vice President for Academic Affairs, age 64*

Katherine S. Newman, Ph.D., became the Senior Vice President for Academic Affairs on January 1, 2018. She previously served as Provost and Senior Vice Chancellor for Academic Affairs and Torrey Little Professor of Sociology at UMass Amherst from 2014 to 2017, and as the James B. Knapp Dean of the Arts and Sciences at Johns Hopkins University from 2010 to 2014. Prior to becoming the Dean at Johns Hopkins, Dr. Newman was the Forbes Class of 1941 Professor of Sociology and Public Affairs at Princeton and Director of the Institute for International and Regional Studies, the founding Dean of Social Science at the Radcliffe Institute of Advanced Study and the director of Harvard's Multidisciplinary Program on Inequality and Social Policy. She taught for 16 years in the Department of Anthropology at Columbia University and for two years in the School of Law at the University of California Berkeley. Dr. Newman holds a bachelor's degree in Philosophy and Sociology from the University of California, San Diego, and a Ph.D. in Anthropology from the University of California, Berkeley.

*Lisa A. Calise, Senior Vice President for Administration & Finance and Treasurer, age 50*

Lisa A. Calise was appointed to the position of Senior Vice President for Administration & Finance and Treasurer in February 2017. Ms. Calise was most recently the Chief Financial Officer at Perkins School for the Blind, focusing on global services and education for those living with blindness and deafblindness. Before joining Perkins in 2010, Ms. Calise served the City of Boston for over a decade, most recently as the Director of Administration and Finance, and previously as Chief Financial Officer and Collector-Treasurer and Budget Director, implementing efficiency improvements and managing the City's finances through challenging economic times. Prior to coming to Boston, Ms. Calise served in the White House Office of Management and Budget as a budget examiner. Ms. Calise recently served as a member of both the MBTA Finance and Management Control Board and MassDOT Board. Ms. Calise obtained a B.A. degree from Boston College and a Master's Degree in Public Management from the University of Maryland.

*Kumble R. Subbaswamy, Ph.D., Chancellor, Amherst Campus, age 66*

Kumble R. Subbaswamy, Ph.D., became the Chancellor of the Amherst Campus in July 2012. Dr. Subbaswamy previously served as provost at the University of Kentucky since 2006. He joined the University of Kentucky's physics faculty in 1978 after serving as a post-doctoral fellow at the University of California, Irvine. During his first 18 years at the University of Kentucky, he served as Associate Dean of Arts and Sciences and as chair of the Department of Physics and Astronomy. Dr. Subbaswamy was also Dean of the College of Arts and Sciences at the University of Miami from 1997 to 2000, when he left to become Dean of Arts and Sciences at Indiana University in Bloomington, where he served until 2006. Dr. Subbaswamy holds a B.S. degree in Physics from Bangalore University, an M.S. degree in Physics from Delhi University and a Ph.D. degree in Physics from Indiana University.

*Barry Mills, Ph.D., J.D., Interim Chancellor, Boston Campus, age 67*

Barry Mills became Interim Chancellor of the Boston Campus on July 1, 2017. Previously, Dr. Mills had served as Deputy Chancellor and Chief Operating Officer at the Boston Campus since March 2017. Dr. Mills is the Emeritus President of Bowdoin College and served as the college's President from 2001 through 2015. Dr. Mills previously served as the deputy presiding partner of the law firm Debevoise and Plimpton in New York City, joining the firm in 1979 and becoming partner in 1986. Dr. Mills holds a bachelor's degree in Biochemistry and Government from Bowdoin College, a Ph.D. in Biology from Syracuse University, and a J.D. from the Columbia University School of Law. A national search is currently underway for a permanent chancellor for the Boston Campus.

*Robert E. Johnson, Ph.D., Chancellor, Dartmouth Campus, age 58*

Robert E. Johnson, Ph.D., became chancellor of the University of Massachusetts Dartmouth on July 1, 2017. Prior to his appointment, Dr. Johnson served as President of Becker College in Worcester, MA for six years. Prior to becoming Becker College's president, Dr. Johnson served as Senior Vice President of Sinclair Community College, Vice President of Enrollment Management at the University of Dayton, Vice Provost at Oakland University, and Executive Director of Enrollment Management at Central State University. Dr. Johnson has previously served as a member of the Massachusetts Board of Higher Education, vice chair of the Massachusetts Technology Collaborative

and chair of the Worcester Regional Chamber of Commerce. Dr. Johnson holds a bachelor's degree in Economics from Morehouse College, a Master's degree in Education Administration from the University of Cincinnati, and a Ph. D. in Higher Education Administration from Touro University International.

*Jacqueline Moloney, Ed. D., Chancellor, Lowell Campus, age 64*

Jacqueline Moloney, Ed.D, was appointed Chancellor of the Lowell Campus in August 2015. Previously, Dr. Moloney served as Executive Vice Chancellor of the Lowell campus since 2007. Prior to becoming Executive Vice Chancellor, Dr. Moloney served as Dean of the Division of Online and Continuing Education at UMass Lowell since 1994 and Executive in Residence for UMassOnline since 2000. Dr. Moloney also served as Dean of University College and Director of the Centers for Learning at UMass Lowell from 1990 to 1994. Dr. Moloney received a B.S. degree in Sociology from UMass Lowell, an M.A. degree in Social Psychology from Goddard College, and an Ed.D. degree from UMass Lowell.

*Michael F. Collins, M.D., Chancellor, Worcester Campus and Senior Vice President for Health Sciences, age 62*

Michael F. Collins, M.D., was appointed Chancellor of the Worcester Campus, where he also serves as professor of quantitative health sciences and medicine, on September 26, 2008. Dr. Collins served as interim Chancellor of the Worcester Campus from June 2007 to September 2008. In June 2007, Dr. Collins was appointed Senior Vice President for Health Sciences at the University of Massachusetts. Dr. Collins served as Chancellor of the UMass Boston Campus from 2005 through 2007. Prior to joining the University of Massachusetts, Dr. Collins served as President and Chief Executive Officer of Caritas Christi Health Care from 1994 to 2004 and from 1994 to 2001 he served as President of St. Elizabeth's Medical Center in Brighton, a university academic medical center affiliated with Tufts University School of Medicine. A board certified physician in internal medicine and a Fellow of the American College of Physicians, Dr. Collins has held a number of faculty and academic leadership positions over the course of his career. At Texas Tech University Health Sciences Center, his posts included Assistant Professor of Internal Medicine and Assistant Dean for Patient Care Resources. At Tufts University, he served as Clinical Professor of Internal Medicine and Associate Dean of Government and Medical Affairs in the School of Medicine and as a senior fellow at the Jonathan M. Tisch College of Citizenship and Public Service. Dr. Collins received a B.A. degree from the College of the Holy Cross and earned an M.D. degree from Tufts University School of Medicine.

## **Faculty and Staff**

The University had 5,712 faculty members for Fall 2017, including 4,104 full-time faculty. Of the full-time faculty (excluding Worcester faculty), 51.7% were tenured, 22.5% were on track for tenure and the remaining 25.7% were not on tenure track. In addition, the University had 11,632 staff members for Fall 2017, of which 94.2% were full-time. The University faculty has received some of the world's most prestigious awards and honors, including the MacArthur Fellowship, the Pulitzer Prize, the National Book Award and the Nobel Prize. The University faculty also includes National Science Foundation grant winners and Fulbright Scholars. The University student FTE to faculty FTE ratios, excluding continuing education, are 17:1, 17:1, 16:1 and 17:1 for the Amherst, Boston, Dartmouth and Lowell campuses, respectively. The Worcester Campus ratio is not presented because the delivery of graduate medical education is not comparable to that of campuses offering a traditional range of undergraduate and graduate programs.

## **STRATEGIC INITIATIVES**

Under the leadership of President Meehan and the University Trustees, the University is engaged in a series of strategic initiatives identified as a result of an interactive, collaborative process between the President's Office and campus leadership. The strategic initiatives acknowledge the unique strengths of each of the campuses and recognize the important role of the University in supporting the Commonwealth's economic success. The initiatives are as follows:

- *Accountability* – The University has set benchmarks and peer comparisons for each of the five UMass campuses and specific goals have been set for each campus Chancellor.

- *Expanding Research and Development* – The University participates as a member of the Mass Green High Performance Computing Center providing increased capacity for research and created the UMass Innovation Institute to expand the University’s capacity for applied research.
- *Fundraising* – The University is developing and focusing its fundraising efforts across all five campuses.
- *Stewards of Resources* – The University continues to increase cost efficiency in providing educational services to students.
- *Efficient and Effective* – The University has been charged by the University Trustees to find ways to achieve the same or better results through more efficient and effective means.
- *Excellence* – The University continues to enhance its reputation and rankings, providing the Commonwealth with a high-quality public education. UMass is the No. 1 public university in New England and one of the 31 best public universities in the nation according to the *Times Higher Education World University Rankings* and is one of the few university systems in the country to have all of its undergraduate campuses ranked National Universities by *U.S. News & World Report*.
- *Quality* – The University continues to admit high-quality students and strives to increase the academic profiles of all five campuses. The Fall 2017 incoming class is among the strongest in University history, with average SAT scores of 1268 and 1225, and average high school GPAs of 3.89 and 3.55 at the Amherst and Lowell Campuses, respectively. In addition, UMass faculty includes Nobel Laureate and Pulitzer Prize winners, members of the National Academy of Sciences, an American Book Award winner and Fulbright, Guggenheim, MacArthur and Mellon fellows.
- *Student Success* – The University continues to review policies and other best practices that focus on ways to improve student output measures. Since Fall 2011, one-year retention rates have increased from 83.1% to 85.8% while six-year graduation rates have increased from 58.2% to 65.5%.

## **ACADEMIC PROGRAMS AND ACCREDITATION**

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 academic fields and a variety of other master’s degrees are granted in specialized areas including Education, Teaching, Business Administration and Public Health. In addition, the University grants Doctor of Philosophy degrees in over 50 fields, as well as Doctor of Education, Doctor of Science, Doctor of Engineering, Doctor of Audiology, Doctor of Nursing Practice, Doctor of Physical Therapy, 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, 2025, 2020, 2023 and 2020, respectively. The Amherst campus has begun its preparations for the Fall 2018 NEASC reaffirmation process. The campus self-study will be completed by August of 2018 and the NEASC visiting team will visit campus in October of 2018. 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. On December 6, 2016, the Law School at the Dartmouth Campus received full accreditation from the ABA. In addition to the foregoing, individual schools and academic programs are accredited by the appropriate agencies in their particular fields.

The University is also an institutional member of numerous organizations of higher learning and professional societies, including, among others, the Association of American Colleges, the Association of Public and Land-Grant Universities, the American Council on Education, the American Association of Colleges for Teacher Education, the

American Association of Colleges of Nursing, the Council of Colleges of Arts and Sciences and the New England Board of Higher Education.

## ENROLLMENT

Admission to the University is open to residents and non-residents of the Commonwealth on a competitive basis. Massachusetts residents accounted for 82.6% and 52.7% of the University's total undergraduate and graduate enrollment, respectively, during Fall 2017.

For Fall 2017, total full-time equivalent enrollment at the University (including continuing education) was 64,531, representing an increase of 5.2% over the five-year period.

### Total Full-Time Equivalent Enrollment, Fall 2013-2017

Enrollment Type	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Undergraduate	48,893	49,732	50,816	51,209	51,642
Graduate	<u>12,443</u>	<u>12,576</u>	<u>12,517</u>	<u>12,769</u>	<u>12,889</u>
Total	61,336	62,308	63,333	63,978	64,531

### Head Count Enrollment

The following tables show opening head count enrollment as of the University's Fall semester for each of the five campuses since 2013.

#### *Total Headcount Enrollment*

Enrollment Type	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
In-state undergraduate	45,064	45,315	45,817	46,784	46,924
Out-of-state undergraduate	9,607	10,084	10,441	10,077	9,905
In-state graduate	9,322	9,220	9,172	9,232	9,351
Out-of-state graduate	<u>7,948</u>	<u>8,177</u>	<u>8,314</u>	<u>8,403</u>	<u>8,392</u>
Total	71,941	72,796	73,744	74,496	74,572

#### *Amherst Campus*

Enrollment Type	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
In-state undergraduate	16,900	16,949	17,277	17,833	17,846
Out-of-state undergraduate	5,234	5,303	5,471	5,540	5,542
In-state graduate	2,232	2,260	2,282	2,308	2,423
Out-of-state graduate	<u>4,152</u>	<u>4,123</u>	<u>4,239</u>	<u>4,356</u>	<u>4,529</u>
Total	28,518	28,635	29,269	30,037	30,340

#### *Boston Campus*

Enrollment Type	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
In-state undergraduate	10,639	10,734	10,866	10,765	10,720
Out-of-state undergraduate	1,727	1,966	2,083	2,082	1,945
In-state graduate	2,667	2,698	2,638	2,544	2,415
Out-of-state graduate	<u>1,244</u>	<u>1,358</u>	<u>1,443</u>	<u>1,456</u>	<u>1,335</u>
Total	16,277	16,756	17,030	16,847	16,415

#### *Dartmouth Campus*

Enrollment Type	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
In-state undergraduate	6,969	6,939	6,762	6,394	6,142
Out-of-state undergraduate	468	515	533	605	621
In-state graduate	1,019	979	939	957	1,018
Out-of-state graduate	<u>597</u>	<u>678</u>	<u>682</u>	<u>691</u>	<u>625</u>
Total	9,053	9,111	8,916	8,647	8,406

### *Lowell Campus*

<b>Enrollment Type</b>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
In-state undergraduate	10,556	10,693	10,912	11,792	12,216
Out-of-state undergraduate	2,178	2,300	2,354	1,850	1,797
In-state graduate	2,551	2,451	2,508	2,614	2,714
Out-of-state graduate	<u>1,647</u>	<u>1,747</u>	<u>1,676</u>	<u>1,601</u>	<u>1,589</u>
Total	16,932	17,191	17,450	17,857	18,316

### *Worcester Campus*

<b>Enrollment Type</b>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Medical School	518	508	515	543	565
Other	<u>643</u>	<u>595</u>	<u>564</u>	<u>565</u>	<u>530</u>
Total <sup>++</sup>	1,161	1,103	1,079	1,108	1,095

<sup>++</sup>Does not include the head count of registrants in the various continuing medical education programs offered at the Worcester Campus.

From Fall 2016 to Fall 2017, total new freshmen enrollees increased by approximately 6.2% for the system as a whole, while total new transfer enrollees increased by 0.7% for the system as a whole, based on headcount. The number of total new freshmen enrollees reflected a 1.5% increase in the size of the entering class at the Amherst Campus, a 13.9% increase in new freshmen at the Boston Campus, a 2.5% decrease at the Dartmouth Campus, and an 18.7% increase at the Lowell Campus. The number of total new transfer enrollees reflected a 0.5% increase at the Amherst Campus, a 0.6% increase at the Boston Campus, a 21.1% increase at the Dartmouth Campus, and an 8.4% decrease at the Lowell Campus.

The University saw an increase of approximately 2.1% in freshmen applications in Fall 2017 compared to Fall 2016. The increase in total freshmen applications included a 3.0% increase at the Amherst Campus, a 6.3% increase at the Boston Campus, a 3.1% decrease at the Dartmouth Campus, and a 1.1% decrease at the Lowell Campus. Transfer applications included a 1.0% decrease at the Amherst Campus, a 2.0% increase at the Boston Campus, a 10.4% increase at the Dartmouth Campus, and a 7.0% decrease at the Lowell Campus.

The following tables provide aggregate data for the campuses (except the Worcester Campus) on University applications, acceptances and matriculations for first year undergraduates and for transfer students.

### **First Year Applicants, Acceptances and Matriculants, Fall 2013-2017**

<b>Fiscal Year</b>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Applications Received	61,253	62,497	67,602	70,025	71,494
Number of Acceptances	40,294	40,347	41,582	43,604	46,334
Percent of Applicants Accepted	66%	65%	62%	62%	65%
Number of Matriculants	9,105	9,332	9,377	9,343	9,925
Percent Matriculated of Those Accepted	23%	23%	23%	21%	21%

### **Transfer Student Applicants, Acceptances and Matriculants, Fall 2013-2017**

<b>Fiscal Year</b>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Applications Received	10,033	10,048	9,961	9,971	9,980
Number of Acceptances	7,909	7,988	7,727	7,818	8,001
Percent of Applicants Accepted	79%	79%	78%	78%	80%
Number of Matriculants	4,835	4,893	4,873	4,746	4,777
Percent Matriculated of Those Accepted	61%	61%	63%	61%	60%

The following tables show the most currently available retention and graduation rates for undergraduate freshmen entering the University. The level and changes in retention and graduation rates reflect the diversity of the entering students.

**One-Year Retention Rates - Fall Term (%)**

<b>Fiscal Year</b>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Range of Campus Averages	76-89	79-90	75-91	73-91	74-91

**Six-Year Graduation Rates (%)**

<b>Fiscal Year</b>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Year of Entry	2007	2008	2009	2010	2011
Graduation After 6 Years - Range of Campus Averages <sup>+</sup>	44-77	42-76	42-78	45-77	48-77

<sup>+</sup>The low-end averages of the University data result from the Boston Campus, which focuses on the needs of non-traditional students.

The following table shows the average Scholastic Aptitude Test (“SAT”) scores for entering University undergraduate freshmen.

**SAT Scores for Incoming Freshmen**

<b>Academic Year</b>	<u>2012-2013*</u>	<u>2013-2014*</u>	<u>2014-2015*</u>	<u>2015-2016*</u>	<u>2016-2017*</u>
Range of Campus Averages	1052-1208	1029-1218	1029-1218	1022-1225	1095-1268

\*Combined Mathematics and Critical Reasoning scores.

**Degrees Awarded**

The University awards four levels of degrees: associate’s, bachelor’s, master’s and doctoral/professional degrees. Trends in University degrees and certificates awarded for the past five years are shown in the following table.

**Trends in Degrees Awarded**

<b>Academic Year</b>	<u>2012-2013</u>	<u>2013-2014</u>	<u>2014-2015</u>	<u>2015-2016</u>	<u>2016-2017</u>
Associate’s/Certificate	547	472	538	508	578
Bachelor’s	10,910	11,544	11,875	12,125	12,754
Master’s/CAGS <sup>+</sup>	4,225	4,385	4,679	4,578	4,755
Doctorate/Professional	765	773	759	812	817

<sup>+</sup>CAGS means Certificate of Advanced Graduate Studies.

**TUITION AND FEES**

The following tables show tuition and mandatory fees for full-time graduate and undergraduate students in effect at the Amherst, Boston, Dartmouth, Lowell and Worcester Campuses for fiscal years 2014 through 2018.

**AMHERST CAMPUS**  
*Tuition & Mandatory Fees: FY 2014-2018*

	<u>Actual</u> <u>2014<sup>1</sup></u>	<u>Actual</u> <u>2015<sup>2</sup></u>	<u>Actual</u> <u>2016<sup>3</sup></u>	<u>Actual</u> <u>2017<sup>4</sup></u>	<u>Actual</u> <u>2018<sup>5</sup></u>
<b>TUITION</b>					
Undergraduate (MA resident)	\$1,714	\$1,714	\$1,714	\$14,590	\$15,030
Undergraduate (non-resident)	9,937	9,937	9,937	31,823	33,096
Graduate (MA resident)	2,640	2,640	2,640	13,524	13,930
Graduate (non-resident)	9,937	9,937	9,937	29,644	30,533
<b>OTHER MANDATORY FEES</b>					
Undergraduate (MA resident)	\$11,544	\$11,544	\$12,457	\$381	\$381
Undergraduate (non-resident)	18,037	18,876	20,567	381	381
Graduate (MA resident)	11,002	11,411	12,144	2,089	2,157
Graduate (non-resident)	17,778	18,609	20,037	2,089	2,157
<b>TOTAL TUITION &amp; MANDATORY FEES</b>					
Undergraduate (MA resident)	\$13,258	\$13,258	\$14,171	\$14,971	\$15,411
Undergraduate (non-resident)	27,974	28,813	30,504	32,204	33,477
Graduate (MA resident)	13,642	14,051	14,754	15,613	16,087
Graduate (non-resident)	27,715	28,546	29,974	31,733	32,690
<b>DORMITORY RESIDENTS ONLY</b>					
Average Room & Board	\$10,439	\$10,957	\$11,503	\$11,897	\$12,258
<b>TUITION, MANDATORY FEES, ROOM &amp; BOARD</b>					
Undergraduate (MA resident)	\$23,697	\$24,215	\$25,674	\$26,868	\$27,669
Undergraduate (non-resident)	38,413	39,770	42,007	44,101	45,735
Graduate (MA resident)	24,081	25,008	26,257	27,510	28,345
Graduate (non-resident)	38,154	39,503	41,477	43,630	44,948

<sup>1</sup> Reflects the tuition and mandatory curriculum fee freeze for resident undergraduates as supported by the first year of the 50/50 Initiative. See "UNIVERSITY REVENUES AND BUDGETING - Appropriated Funds - Annual Appropriations."

<sup>2</sup> Reflects the tuition and mandatory curriculum fee freeze for resident undergraduates as supported by the second year of the 50/50 Initiative. See "UNIVERSITY REVENUES AND BUDGETING - Appropriated Funds - Annual Appropriations."

<sup>3</sup> Includes an increase in fees approved by the University Trustees on June 17, 2015.

<sup>4</sup> Reflects the restructuring of tuition and fees enabled by the tuition retention legislation and includes an increase in tuition approved by the University Trustees on July 14, 2016. See "UNIVERSITY REVENUES AND BUDGETING - Appropriated Funds - Annual Appropriations."

<sup>5</sup> Includes an increase in tuition approved by the University Trustees on July 17, 2017.

**BOSTON CAMPUS**  
*Tuition & Mandatory Fees: FY 2014- 2018*

	<u>Actual</u> <u>2014<sup>1</sup></u>	<u>Actual</u> <u>2015<sup>2</sup></u>	<u>Actual</u> <u>2016<sup>3</sup></u>	<u>Actual</u> <u>2017<sup>4</sup></u>	<u>Actual</u> <u>2018<sup>5</sup></u>
<b>TUITION</b>					
Undergraduate (MA resident)	\$1,714	\$1,714	\$1,714	\$13,110	\$13,503
Undergraduate (non-resident)	9,758	9,758	9,758	31,698	32,660
Graduate (MA resident)	2,590	2,590	2,590	16,863	17,375
Graduate (non-resident)	9,758	9,758	9,758	32,913	33,915
<b>OTHER MANDATORY FEES</b>					
Undergraduate (MA resident)	\$10,252	\$10,252	\$10,968	\$325	\$325
Undergraduate (non-resident)	17,672	18,632	20,162	325	325
Graduate (MA resident)	11,578	12,428	13,525	355	355
Graduate (non-resident)	17,687	19,334	21,357	355	355
<b>TOTAL TUITION &amp; MANDATORY FEES</b>					
Undergraduate (MA resident)	\$11,966	\$11,966	\$12,682	\$13,435	\$13,828
Undergraduate (non-resident)	27,430	28,390	29,920	32,023	32,985
Graduate (MA resident)	14,168	15,018	16,115	17,218	17,730
Graduate (non-resident)	27,445	29,092	31,115	33,268	34,270

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<sup>1</sup> Reflects the tuition and mandatory curriculum fee freeze for resident undergraduates as supported by the first year of the 50/50 Initiative. See "UNIVERSITY REVENUES AND BUDGETING - Appropriated Funds - Annual Appropriations."

<sup>2</sup> Reflects the tuition and mandatory curriculum fee freeze for resident undergraduates as supported by the second year of the 50/50 Initiative. See "UNIVERSITY REVENUES AND BUDGETING - Appropriated Funds - Annual Appropriations."

<sup>3</sup> Includes an increase in fees approved by the University Trustees on June 17, 2015.

<sup>4</sup> Reflects the restructuring of tuition and fees enabled by the tuition retention legislation and includes an increase in tuition approved by the University Trustees on July 14, 2016. See "UNIVERSITY REVENUES AND BUDGETING - Appropriated Funds - Annual Appropriations."

<sup>5</sup> Includes an increase in tuition approved by the University Trustees on July 17, 2017.

**DARTMOUTH CAMPUS**  
*Tuition & Mandatory Fees: FY 2014-2018*

	<u>Actual</u> <u>2014<sup>1</sup></u>	<u>Actual</u> <u>2015<sup>2</sup></u>	<u>Actual</u> <u>2016<sup>3</sup></u>	<u>Actual</u> <u>2017<sup>4</sup></u>	<u>Actual</u> <u>2018<sup>5</sup></u>
<b>TUITION</b>					
Undergraduate (MA resident)	\$1,417	\$1,417	\$1,417	\$12,783	\$13,166
Undergraduate (non-resident)	8,099	8,099	8,099	27,068	27,880
Graduate (MA resident)	2,071	2,071	2,071	14,999	15,449
Graduate (non-resident)	8,099	8,099	8,099	27,068	27,880
Graduate Law School (MA resident)	2,071	2,071	2,071	25,836	26,611
Graduate Law School (non-resident)	8,099	8,099	8,099	33,988	35,008
<b>OTHER MANDATORY FEES</b>					
Undergraduate (MA resident)	\$10,264	\$10,264	\$11,171	\$405	\$405
Undergraduate (non-resident)	16,057	16,520	18,074	405	405
Graduate (MA resident)	11,553	11,881	12,092	405	405
Graduate (non-resident)	16,057	16,520	26,173	405	405
Graduate Law School (MA resident)	21,631	21,631	24,541	405	405
Graduate Law School (non-resident)	23,295	23,295	32,293	405	405
<b>TOTAL TUITION &amp; MANDATORY FEES</b>					
Undergraduate (MA resident)	\$11,681	\$11,681	\$12,588	\$13,188	\$13,571
Undergraduate (non-resident)	24,156	24,619	26,173	27,473	28,285
Graduate (MA resident)	13,624	13,952	14,973	15,404	15,854
Graduate (non-resident)	24,156	24,619	26,173	27,473	28,285
Graduate Law School (MA resident)	23,702	23,702	24,541	26,241	27,016
Graduate Law School (non-resident)	31,394	31,394	32,293	34,393	35,413
<b>DORMITORY RESIDENTS ONLY</b>					
Average Room & Board	\$10,908	\$11,435	\$11,622	\$12,296	\$12,753
<b>TUITION, MANDATORY FEES, ROOM &amp; BOARD</b>					
Undergraduate (MA resident)	\$22,589	\$23,116	\$24,210	\$25,484	\$26,324
Undergraduate (non-resident)	35,064	36,054	37,795	39,769	41,038
Graduate (MA resident)	24,532	25,387	26,595	27,700	28,607
Graduate (non-resident)	35,064	36,054	37,795	39,769	41,038
Graduate Law School (MA resident)	34,610	35,137	36,163	38,537	39,769
Graduate Law School (non-resident)	42,302	42,829	43,915	46,689	48,166

<sup>1</sup> Reflects the tuition and mandatory curriculum fee freeze for resident undergraduates as supported by the first year of the 50/50 Initiative. See "UNIVERSITY REVENUES AND BUDGETING - Appropriated Funds - Annual Appropriations."

<sup>2</sup> Reflects the tuition and mandatory curriculum fee freeze for resident undergraduates as supported by the second year of the 50/50 Initiative. See "UNIVERSITY REVENUES AND BUDGETING - Appropriated Funds - Annual Appropriations."

<sup>3</sup> Includes an increase in fees approved by the University Trustees on June 17, 2015.

<sup>4</sup> Reflects the restructuring of tuition and fees enabled by the tuition retention legislation and includes an increase in tuition approved by the University Trustees on July 14, 2016. See "UNIVERSITY REVENUES AND BUDGETING - Appropriated Funds - Annual Appropriations."

<sup>5</sup> Includes an increase in tuition approved by the University Trustees on July 17, 2017.

**LOWELL CAMPUS**  
*Tuition & Mandatory Fees: FY 2014-2018*

	<u>Actual</u> <u>2014<sup>1</sup></u>	<u>Actual</u> <u>2015<sup>2</sup></u>	<u>Actual</u> <u>2016<sup>3</sup></u>	<u>Actual</u> <u>2017<sup>4</sup></u>	<u>Actual</u> <u>2018<sup>5</sup></u>
<b>TUITION</b>					
Undergraduate (MA resident)	\$1,454	\$1,454	\$1,454	\$13,932	\$14,350
Undergraduate (non-resident)	8,567	8,567	8,567	30,500	31,415
Graduate (MA resident) <sup>+</sup>	1,637	1,637	1,637	14,304	14,590
Graduate (non-resident) <sup>+</sup>	6,425	6,425	6,425	25,853	26,370
<b>OTHER MANDATORY FEES</b>					
Undergraduate (MA resident)	\$10,643	\$10,993	\$11,973	\$375	\$450
Undergraduate (non-resident)	17,579	18,833	20,558	375	450
Graduate (MA resident) <sup>++</sup>	10,402	11,162	12,162	375	450
Graduate (non-resident) <sup>++</sup>	15,449	16,553	18,053	375	450
<b>TOTAL TUITION &amp; MANDATORY FEES</b>					
Undergraduate (MA resident)	\$12,097	\$12,447	\$13,427	\$14,307	\$14,800
Undergraduate (non-resident)	26,146	27,400	29,125	30,875	31,865
Graduate (MA resident)	12,039	12,799	13,799	14,679	15,040
Graduate (non-resident)	21,874	22,978	24,478	26,228	26,820
<b>DORMITORY RESIDENTS ONLY</b>					
Average Room & Board	\$10,793	\$11,278	\$11,670	\$12,073	\$12,495
<b>TUITION, MANDATORY FEES, ROOM &amp; BOARD</b>					
Undergraduate (MA resident)	\$22,890	\$23,725	\$25,097	\$26,380	\$27,295
Undergraduate (non-resident)	36,939	38,678	40,795	42,948	44,360
Graduate (MA resident)	22,832	24,077	25,469	26,752	27,535
Graduate (non-resident)	32,667	34,256	36,148	38,301	39,315

<sup>1</sup> Reflects the tuition and mandatory curriculum fee freeze for resident undergraduates as supported by the first year of the 50/50 Initiative. See "UNIVERSITY REVENUES AND BUDGETING - Appropriated Funds - Annual Appropriations."

<sup>2</sup> Reflects the tuition and mandatory curriculum fee freeze for resident undergraduates as supported by the second year of the 50/50 Initiative. See "UNIVERSITY REVENUES AND BUDGETING - Appropriated Funds - Annual Appropriations."

<sup>3</sup> Includes an increase in fees approved by the University Trustees on June 17, 2015.

<sup>4</sup> Reflects the restructuring of tuition and fees enabled by the tuition retention legislation and includes an increase in tuition approved by the University Trustees on July 14, 2016. See "UNIVERSITY REVENUES AND BUDGETING - Appropriated Funds - Annual Appropriations."

<sup>5</sup> Includes an increase in tuition approved by the University Trustees on July 17, 2017.

<sup>+</sup> Graduate tuition charges at UMass Lowell are on a 9-credit load basis.

<sup>++</sup> Graduate fee charges at UMass Lowell are on a 9-credit load basis.

**WORCESTER CAMPUS**  
*Tuition & Mandatory Fees: FY 2014-2018*

	<u>Actual</u> <u>2014<sup>1</sup></u>	<u>Actual</u> <u>2015<sup>2</sup></u>	<u>Actual</u> <u>2016<sup>3</sup></u>	<u>Actual</u> <u>2017<sup>4</sup></u>	<u>Actual</u> <u>2018<sup>5</sup></u>
<b>TUITION</b>					
Medical School (resident)	\$8,352	\$8,352	\$8,352	\$25,842	\$28,426
Medical School (Class of '19 and beyond)	-	-	-	33,600	34,600
Medical School (non-resident)	-	-	-	59,400	59,400
Graduate School of Nursing (MA resident)	2,640	2,640	2,640	9,900	13,500
Graduate School of Biomedical Sciences (MA resident)	2,640	2,640	2,640	6,424	13,930
Graduate School of Nursing (non-resident)	9,856	9,856	9,856	14,850	18,450
Graduate School of Biomedical Sciences (non-resident)	9,856	9,856	9,856	13,640	30,533
<b>OTHER MANDATORY FEES</b>					
Medical School (resident)	\$14,535	\$14,998	\$17,158	\$2,057	\$2,078
Medical School (Class of '19 and beyond)	-	-	25,665	2,057	2,078
Medical School (non-resident)	-	-	58,517	2,057	2,078
Graduate School of Nursing	8,307	8,330	8,354	1,257	1,278
Graduate School of Biomedical Sciences	4,279	4,302	4,326	932	953
<b>TOTAL TUITION &amp; MANDATORY FEES</b>					
Medical School (resident)	\$22,887	\$23,350	\$25,510	\$27,899	\$30,504
Medical School (Class of '19 and beyond)	-	-	34,017	35,657	36,678
Medical School (non-resident)	-	-	58,517	61,457	61,478
Graduate School of Nursing (MA resident)	10,947	10,970	10,994	11,157	14,778
Graduate School of Biomedical Sciences (MA resident)	6,919	6,942	6,966	7,356	14,883
Graduate School of Nursing (non-resident)	18,163	18,186	18,210	16,107	19,728
Graduate School of Biomedical Sciences (non-resident)	14,135	14,158	14,182	14,572	31,486

<sup>1</sup> Includes an increase in fees approved by the University Trustees on June 19, 2013.

<sup>2</sup> Includes an increase in fees approved by the University Trustees on June 18, 2014.

<sup>3</sup> Includes an increase in fees approved by the University Trustees on June 17, 2015.

<sup>4</sup> Reflects the restructuring of tuition and fees enabled by the tuition retention legislation and includes an increase in tuition approved by the University Trustees on July 14, 2016. See "UNIVERSITY REVENUES AND BUDGETING - Appropriated Funds - Annual Appropriations."

<sup>5</sup> Includes an increase in tuition approved by the University Trustees on June 14, 2017.

**Student Financial Aid**

Eligible University students receive financial aid packages primarily awarded from the federal government, with varying combinations of grants and scholarships, loans and part-time employment. Grants and scholarships represent financial aid that does not require repayment by the student. The primary federal grants and scholarships awarded to eligible University students were Federal Pell Grants of approximately \$71.0 million and Federal Supplemental Education Opportunity Grants of approximately \$3.1 million for fiscal year 2017. New loans processed by the University for eligible students under federal student loan programs and federally guaranteed loan programs totaled approximately \$344.9 million for fiscal year 2017. Eligible University students also received approximately \$5.1 million through the Federal Work-Study Program for fiscal year 2017.

## UNIVERSITY REVENUES AND BUDGETING

In general, the University receives revenues from multiple sources: Commonwealth appropriations, student fees and self-supporting activities for which fees are charged to cover the cost of providing the service, and federal and state contracts. In fiscal year 2017, Commonwealth appropriations provided approximately 22% of all operating and non-operating revenues of the University (not including University Related Organizations), tuition and fees accounted for approximately 26% of all operating and non-operating revenues and other non-appropriated funds (including grants and contracts, auxiliary enterprises and other operating revenues) provided the remaining 52%.

The University prepares annual financial statements in accordance with generally accepted accounting principles on an accrual basis. The financial statements of the University as of June 30, 2017 and June 30, 2016 have been audited by Grant Thornton LLP, independent certified public accountants. The consolidated audited financial statements of the University should be read in their entirety, including the footnotes and the Management Discussion and Analysis attached thereto.

### **Budget Process**

The University's fiscal year, like that of the Commonwealth, is from July 1 through June 30. A key source of University revenues is the annual state appropriation determined in the Commonwealth's annual budget process. This process begins approximately one year in advance of the commencement of each fiscal year. The University prepares its consolidated state budget request and forwards it to the Governor and the House and Senate Committees on Ways and Means. A copy of the University's request is also forwarded to the DHE, which incorporates the University's request in whole or in part into its state budget request for the entire public higher education system. The Governor makes funding recommendations to the state legislature (the "Legislature"). The Legislature in turn appropriates funds through its annual budget and other appropriating acts to the University Trustees, who distribute the funds to the five campuses. The Commonwealth budget process, however, is only one of several ongoing budgetary and review processes that culminate in the presentation to the University Trustees of the overall annual University operating budget.

### **Appropriated Funds**

#### Tuition Retention

Massachusetts had historically been an anomaly in higher education because of the way it charged students to attend the University. In Massachusetts, mandatory curriculum fees made up the bulk of the cost of attending the University, rather than tuition. Tuition, which had not increased in over two decades, was set by the Massachusetts Board of Higher Education and was generally remitted to the Commonwealth's General Fund as a user fee. In fiscal year 2016, the University remitted approximately \$30.5 million in tuition collected from in-state students. Fees, which had previously accounted for the majority of student charges, were set by the University Trustees and were retained by the University to fund its operations. The fees have fluctuated over the years as the level of state support provided in the state budget has changed. Over time, this led to a high fee, low tuition billing model that was antiquated and confusing.

In July 2015, the Legislature passed and the Governor signed into law provisions in the fiscal year 2016 state budget that would give the University the tools to adopt a new system of billing that conforms to best practices in higher education and is consistent with the rest of the nation. The ability for the University to retain tuition, referred to as "Tuition Retention," is the main provision of the law that allowed the University to rationalize and restructure its tuition and fees in a way that is transparent and consistent with its peer institutions.

Fiscal year 2017 reflects the first year of full Tuition Retention. This was an important step toward making the University more accountable and transparent to students, their families, Legislators and other stakeholders by showing student charges in a way that alleviates the confusion that had previously existed between tuition and mandatory fees.

#### Annual Appropriations

The following tables detail the University's appropriations received from the Commonwealth for fiscal years 2014-2018 and the calculation of total Commonwealth support reported in the financial statements for fiscal years 2013-2017. Table A details the University's base maintenance appropriation as provided for in the annual budget of the Commonwealth for fiscal years 2014 through 2018. An explanation of the legislative appropriation process by fiscal year is described in detail below. Table B details the total Commonwealth support received by the University from all sources for fiscal years 2013 through 2017, and is reflected in the University's financial statements.

**TABLE A**

**Commonwealth Appropriations by Fiscal Year**

<u>Commonwealth Appropriations</u>	Years Ended June 30*				
	(\$ millions)				
	<u>2014 Budget</u>	<u>2015 Budget</u>	<u>2016 Budget</u>	<u>2017 Budget<sup>+</sup></u>	<u>2018 Budget</u>
UMass Base Appropriation	\$463.5	\$519.0	\$531.8	\$508.3	\$513.5
Collective Bargaining Costs	15.3	2.2	10.9	0	0
9C Budget Reductions	<u>0</u>	<u>(7.8)</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total UMass Base State Appropriation	<u>\$478.9</u>	<u>\$513.4</u>	<u>\$542.7</u>	<u>\$508.3</u>	<u>\$513.5</u>

\*Totals may not add due to rounding.

<sup>+</sup> The 2017 appropriation amount was the result of a reduction related to the Tuition Retention Legislation passed as part of the fiscal year 2016 budget. With the University now able to retain approximately \$30.5 million in tuition, the state appropriation was reduced by a corresponding amount in order to ensure that Tuition Retention is cost-neutral to both the University and the Commonwealth.

The Commonwealth pays the fringe benefit cost for those University employees who are paid from Commonwealth appropriations, which includes 37.6% of all University employees. Therefore, such fringe benefit support is added to the "State Appropriations" financial statement line item as presented in the table below. The University pays the Commonwealth for the fringe benefit cost of the employees paid from funding sources other than Commonwealth appropriations which includes 62.4% of University employees. The University includes tuition collected in the line item in its financial statements captioned "Tuition and Fees" under "Combined Statements of Revenue, Expenses and Changes in Net Position" and prior to 2017 removed the equal amount from the "State Appropriations" line item through the netting process presented in the following table.

**TABLE B**

Fiscal Year	Years Ended June 30				
	(\$ thousands)				
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Gross Commonwealth Appropriations	\$447,837	\$486,656	\$516,794	\$546,953	\$512,900
Plus: Fringe Benefits	130,005	141,881	159,403	178,032	207,917
Less: Tuition Remitted	<u>(35,103)</u>	<u>(34,325)</u>	<u>(31,055)</u>	<u>(30,583)</u>	<u>0</u>
Net Commonwealth Appropriations	<u>\$519,311</u>	<u>\$570,618</u>	<u>\$621,200</u>	<u>\$669,749</u>	<u>\$720,817</u>

The Commonwealth's fiscal year 2013 budget included a base state appropriation amount for the University equal to the base state appropriation received in fiscal year 2012. In addition to the base state appropriation, the budget also provided \$25.7 million to cover the fiscal year 2013 cost of the collective bargaining increases for the University's union employees and \$6.6 million of line item funding specific to the University. With state support consistent with the fiscal year 2012 level despite the fact that enrollments had increased at the University by 15% over the prior five years, the University's Board of Trustees approved a 4.9% tuition and fee increase for undergraduate students for the 2012-2013 academic year. In January 2013, the Governor imposed mid-year budget reductions pursuant to his 9C Authority to bring the Commonwealth budget into balance. As part of the reductions, the University received a 1% reduction equaling \$4.2 million. By working with the Legislature, the University was able to utilize revenues to meet

the reduction with no impact on the fringe support provided by the Commonwealth. Each campus and the central office absorbed the reduction into operations for fiscal year 2013.

The fiscal year 2014 budget approved in July 2013 included a new funding model pursuant to which the Commonwealth's appropriations are set at an amount expected to cover approximately 50% of the cost to educate Massachusetts undergraduate students at the University (the "50/50 Initiative"). The 50/50 Initiative required an increase in the Commonwealth's base state appropriation of \$39.1 million in each of fiscal year 2014 and 2015. This investment, along with additional fringe support of \$10.8 million provided the University with \$100 million in additional appropriations over fiscal years 2014 and 2015. The Governor and the Legislature embraced the 50/50 Initiative for the fiscal year 2014 budget, and provided the increased funding which allowed the University to freeze undergraduate tuition and mandatory fees for Massachusetts residents for the 2013-2014 academic year. The 50/50 Initiative had an immediate and meaningful impact on thousands of Massachusetts residents as their undergraduate tuition and mandatory curriculum fees did not increase in the 2013-2014 academic year. It is expected to provide such undergraduate students with long-term relief by allowing them to graduate and enter the workforce with less student debt. The total base state appropriation for fiscal year 2014 was \$478.9 million.

The fiscal year 2015 budget approved in July 2014 supported the second year of the 50/50 Initiative by increasing the University's base appropriation to \$519.0 million. With the approval of the Commonwealth's fiscal year 2015 budget and the corresponding increase in appropriations for the University, the University continued the implementation of the 50/50 Initiative. At its June 18, 2014 Board Meeting, the University's Trustees approved the freezing of tuition and mandatory curriculum fees for in-state undergraduate students for the 2014-2015 academic year.

On February 3, 2015, Governor Baker exercised his 9C Authority to address a projected \$765 million shortfall in the Commonwealth's fiscal year 2015 budget, by proposing legislation to make certain budgetary reductions. The final bill, which was signed by the Governor on February 13, 2015, reduced the University's fiscal year 2015 base appropriation of \$519.0 million by approximately \$7.8 million to \$511.2 million. The University absorbed these reductions into its operations for fiscal year 2015. The University requested funding to account for the first year of collective bargaining increases with parameters set by the Commonwealth's administration with a total first year cost of \$13.1 million. Supplemental funding was supported in Chapter 10 of the Acts of 2015 for \$2.2 million of the total need.

The fiscal year 2016 budget approved in July 2015 included a base state appropriation of \$531.8 million, representing an increase of 2.5% over the original fiscal year 2015 amount. The original 2016 base appropriation did not include funding for the fiscal year 2015 or fiscal year 2016 collective bargaining increases and fell short of the University's request of \$578 million. Given the level of state funding, the University did not continue to freeze tuition and fees for fiscal year 2016. On June 17, 2015, the University Board of Trustees approved a 5% tuition and mandatory fee increase for in-state undergraduate students. Supplemental funding for collective bargaining was subsequently supported in Chapter 70 of the Acts of 2016 for \$10.9 million, satisfying the remaining need for the first year cost of the collective bargaining increases.

The fiscal year 2017 budget approved in July 2016 included a base state appropriation of \$508.3 million, representing an increase of 1.5% over the original fiscal year 2016 appropriation, and a decrease of 1% from the 2016 appropriation including supplemental funds. The 2017 appropriation amount was also the result of a reduction related to the Tuition Retention Legislation passed as part of the fiscal year 2016 budget. With the University now being able to retain approximately \$30.51 million in tuition, the state appropriation was reduced by a corresponding amount in order to ensure that Tuition Retention is cost-neutral to both the University and the Commonwealth. With flat state appropriations and no additional funds for the second or third years of collective bargaining increases, the University Board of Trustees approved an average increase to tuition and mandatory fees of 5.6% for in-state undergraduates at a special meeting on July 14, 2016.

The fiscal year 2018 budget approved in July 2017 included a base state appropriation of \$513.5 million, representing an increase of 1% over the fiscal 2017 appropriation. The budget did not include a specific reserve or funding for collective bargaining as the parameters were not yet available. Subsequent to the approval of the state budget, bargaining parameters were established for the FY18 – FY20 period and it is expected that the State will fund its \$14.1 million share of the first year costs in a supplemental appropriation. With the base appropriation falling short

of the University's funding request, the Board of Trustees approved an average increase to tuition and mandatory fees of 3.1% at a special meeting on July 17, 2017.

The University has submitted its budget request to the Administration for fiscal year 2019. UMass is requesting a base appropriation of \$556.4 million, which assumes enrollment growth of 0.6% and reflects an increase of \$57.3 million of 11.2%. This amount is based on the University's need to address increases in mandatory and other fixed costs related to the core teaching and education portion of its budget. Furthermore, the University is requesting funding for the Commonwealth's \$14.3 million portion of the FY19 incremental collective bargaining cost. The total request of \$584.8 million for the UMass system in FY19 would allow the campuses to meet their obligations for the upcoming fiscal year while limiting tuition increases for students.

The fiscal year 2019 budget process is currently underway. On January 24, 2018, the Governor released his budget recommendations, which included \$518.7 million in base appropriations for the University. This amount represents a 1.0% increase over the fiscal year 2018 appropriation amount. The House and Senate continue to develop their recommendations, which are expected in April and May, respectively.

### **Management of Non-Appropriated Funds**

All non-appropriated funds are managed and grouped for budgetary purposes into several trust funds. Non-appropriated funds are funds derived by the University from revenue sources other than Commonwealth appropriations and include, for example, student fees, gifts, grants, contracts and sponsored programs. The University Trustees establish and collect certain student fees and charges, including charges for room and board. Non-appropriated funds are retained by the University. Approximately 78% of the University's operating and non-operating revenues for fiscal year 2017 were non-appropriated.

University trust funds are financial accounts that are established by the University Trustees under authority granted by the Legislature in connection with self-supporting operations, such as student services, parking and certain research and public service activities. Revenues received from these self-supporting activities are expended by law for the respective purposes for which each trust fund was established. The University Trustees exercise oversight and control over these funds through official policy guidelines, annual budget review and approval and periodic internal audits of certain accounts.

The University's financial operations consist of two major expense categories: Educational and General and Auxiliary Enterprises. The Educational and General expense budget includes research, academic programs, public service programs, student services programs, academic and institutional support programs, physical plant operations and financial aid. These activities are funded from student tuition and fees, Commonwealth and Federal appropriations, and 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 Auxiliary Enterprises budget is a revenue-based trust fund. No assurance can be given that future trust fund revenues will continue to be sufficient to support self-amortizing projects or other Auxiliary Enterprises. The University reviews fees annually with the goal of having the Auxiliary Enterprises budget be self-sufficient.

### **Responding to a Challenging Fiscal Environment**

The University continues to benefit from the increased demand for its educational services. The University's growing reputation, combined with difficult economic conditions in the Commonwealth, have resulted in continued growth in student enrollment and the associated revenue growth from student charges, at all of the University's campuses. In addition, the University benefits from having diverse revenue streams. Grant and contract revenues have grown consistently over the years and the University anticipates continued growth in this area. Modest increases in room and board rates are also expected to generate revenues for auxiliary operations. Additionally, the University's online presence continues to expand. For fiscal year 2017, UMassOnline achieved an approximate 9% increase in revenue and an approximate 7% increase in enrollment. Compared with the previous year, revenues increased from approximately \$96.0 million to approximately \$104.9 million.

Understanding that the current fiscal environment poses significant challenges for the University and its students, the responsibility to be a good steward of limited resources is taken seriously. The University, through its Board of Trustees, created a permanent Task Force on Efficiencies and Effectiveness charged with helping to ensure 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, is working to promote a more standardized approach for cross-campus collaboration and oversight of the entire effort, track and report progress, and quantify the benefits to the University and its campuses. Over the last few years the University has achieved measureable savings and efficiencies and expects current efforts to yield additional savings going forward.

The University continues to focus on improving its competitive position. The University expects to open the first-ever student dormitories at UMass Boston in September 2018, achieving a long-held goal of providing UMass Boston students with an on-campus residential option. The student housing complex will accommodate UMass Boston freshmen and transfer students and is being built via an innovative public-private partnership.

### **Basis of Presentation**

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board ("GASB") using the economic resources measurement focus and the accrual basis of accounting. These statements are reported on a combined basis and all intra-University transactions are eliminated.

Operating revenues consist of tuition and fees, grants and contracts, sales and services of educational activities (including royalties from licensing agreements) and Auxiliary Enterprise revenues. Operating expenses include salaries, wages, fringe benefits, utilities, subcontracts on grants and contracts, supplies and services and depreciation and amortization. All other revenues and expenses of the University are reported as non-operating revenues and expenses including state general appropriations, non-capital gifts, short term investment income, endowment income used in operations, interest expenses and capital additions and deductions. Capital items represent all other changes in long term plant and endowment net assets. Revenues are recognized when earned and expenses are recognized when incurred with the exception of revenue earned on certain public service activities. Restricted grant revenue is recognized only when all eligibility requirements have been met, that is to the extent grant revenues are expended or in the case of fixed price contracts, when the contract terms are met or completed. Contributions, including unconditional promises to give (pledges) for non-endowment or non-capital purposes, are recognized as revenues in the period received. Promises of additions to non-expendable endowments are not recognized until cash or other assets are received. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. When an expense or outlay is incurred for which both restricted and unrestricted net assets are available, the University applies restricted net assets first.

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and judgments that affect the reported amounts of assets and liabilities, as well as disclosures of contingencies at the date of the financial statements and the revenues and expenditures recognized during the reporting period. Significant estimates include the accrual for employee compensated absences, the accrual for workers' compensation liability, the allowance for doubtful accounts, valuation of certain investments and depreciation expense. Actual results could differ from those estimates.

The University reports its financial statements as a business-type activity ("BTA") under GASB Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities* ("GASB 35"). BTAs are defined as those that are financed in whole or in part by fees charged to external parties for goods or services.

In order to ensure observance of limitations and restrictions placed on the use of available resources, the accounts of the University are maintained internally in accordance with the principles of "fund accounting". This is the procedure by which resources for various purposes are maintained in separate funds in accordance with the activities or objectives specified. GASB 35 requires that external financial statements to be reported on a consolidated basis and establishes standards for external financial reporting by public colleges and universities that resources be classified into the following net asset categories:

- **Invested in capital assets, net of related debt:** Capital assets, at historical cost, or fair market value on date of gift, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.
- **Restricted Nonexpendable:** Net assets subject to externally imposed stipulations that they be maintained permanently by the University.
- **Restricted Expendable:** Net assets whose use by the University is subject to externally imposed stipulations. Such assets include restricted grants and contracts, the accumulated net gains/losses on true endowment funds, as well as restricted funds loaned to students, restricted gifts and endowment income and other similar restricted funds.
- **Unrestricted:** Net assets that are not subject to externally imposed stipulations. Substantially all unrestricted net assets are designated to support academic, research, Auxiliary Enterprises or unrestricted funds functioning as endowments or are committed to capital construction projects.

Revenues are reported net of discounts and allowances. As a result, student financial aid expenditures are reported as an allowance against tuition and fees revenue while stipends and other payments made directly to students are recorded as scholarship and fellowship expenditures on the statement of revenues, expenses and other changes to net assets and are included in supplies and services on the statement of cash flows. Discounts and allowances for tuition and fees and Auxiliary Enterprises are calculated using the Alternate Method.

In 2015, the University adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Retirement Benefits – an amendment of GASB Statement No. 27* (“GASB 68”). GASB 68 addresses accounting and financial reporting for pensions that are provided to the employees of state and local governments through pension plans that are administered through trusts that have certain characteristics and establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenditures. The implementation of GASB 68 resulted in a cumulative effect adjustment of (\$238,906) to the net position in the 2015 Statement of Revenues, Expenses and Changes in Net Position as of July 1, 2014 for the recording of pensions.

**SUMMARY OF OPERATIONS\***

**University  
Combined and Condensed Statement of Net Position**

As of June 30 (\$ thousands)

	2013	2014	2015	2016	2017
<b>ASSETS</b>					
Current Assets	\$ 579,824	\$ 592,750	\$ 692,679	\$ 677,927	\$ 739,847
Noncurrent Assets					
Investment in Plant Net of Accumulated Depreciation	3,705,517	4,064,786	4,333,761	4,615,776	4,930,912
All Other Noncurrent Assets	1,403,449	1,543,391	1,501,421	1,294,028	1,283,546
<b>Total Assets</b>	<b>\$5,688,790</b>	<b>\$6,200,927</b>	<b>\$6,527,861</b>	<b>\$6,587,731</b>	<b>\$6,954,305</b>
<b>LIABILITIES</b>					
Current Liabilities	\$ 772,922	\$ 674,330	\$ 856,460	\$ 774,837	\$ 619,250
Noncurrent Liabilities	2,415,798	2,831,869	3,133,710	3,294,183	3,522,756
<b>Total Liabilities</b>	<b>\$3,188,720</b>	<b>\$3,506,199</b>	<b>\$3,990,170</b>	<b>\$4,069,020</b>	<b>\$4,142,006</b>
<b>NET POSITION</b>					
Invested in Capital Assets Net of Related Debt	\$1,682,173	\$1,800,767	\$1,887,941	\$2,013,966	\$2,204,001
Restricted					
Nonexpendable	18,058	17,387	18,378	18,384	27,443
Expendable	156,469	174,530	169,591	218,272	201,710
Unrestricted	757,656	825,611	591,438	549,471	617,199
<b>Total Net Position</b>	<b>\$2,614,356</b>	<b>\$2,818,295</b>	<b>\$2,667,348</b>	<b>\$2,800,093</b>	<b>\$3,050,353</b>

\* Derived from the Annual Audited Financial Report for Fiscal Years 2013-2017. The University's financial statements include prior year comparative information. Certain prior year amounts have been reclassified to conform with the current year presentation. These reclassifications have no effect on total net assets.

**University**  
**Combined Statement of Revenues, Expenses and Changes in Net Position**

**For The Years Ended June 30 (\$ thousands)**

<b>REVENUES</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
<i>Operating Revenues</i>					
Tuition and Fees*	\$ 707,495	\$ 740,116	\$ 765,218	\$ 826,815	\$ 847,832
Federal Grants and Contracts	334,697	322,047	313,754	329,403	354,110
State Grants and Contracts	68,794	74,996	70,871	75,306	78,417
Local Grants and Contracts	2,253	2,223	1,717	2,445	2,489
Private Grants and Contracts	106,714	112,428	124,399	121,198	125,065
Sales & Service, Educational	19,237	21,792	25,601	27,500	28,910
Auxiliary Enterprises	319,544	349,485	362,193	383,281	400,822
Other Operating Revenues					
Sales & Service, Independent Operations	46,062	44,296	48,368	47,613	79,261
Sales & Service, Public Service Activities	447,119	448,478	295,429	476,831	418,726
Other	100,839	93,418	105,234	113,104	107,348
<b><i>Total Operating Revenues</i></b>	<b><u>\$2,152,754</u></b>	<b><u>\$2,209,279</u></b>	<b><u>\$2,112,784</u></b>	<b><u>\$2,403,496</u></b>	<b><u>\$2,442,980</u></b>
<b>EXPENSES</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
<i>Operating Expenses</i>					
Educational and General					
Instruction	\$ 657,841	\$ 690,635	\$ 712,430	\$ 794,691	\$ 824,042
Research	405,223	407,425	431,586	434,213	447,370
Public Service	74,510	77,985	72,910	71,457	68,083
Academic Support	145,551	151,000	167,582	181,057	177,173
Student Services	108,746	119,295	127,988	141,915	151,033
Institutional Support	209,975	219,920	237,212	248,379	247,740
Operation and Maintenance of Plant	203,115	214,972	217,913	228,406	240,501
Depreciation and Amortization	185,261	204,233	221,043	240,865	249,669
Scholarships and Fellowships	49,731	49,242	49,300	44,645	47,710
Auxiliary Enterprises	248,765	265,080	273,680	297,089	306,850
Other Expenditures					
Independent Operations	47,826	44,861	40,961	47,930	57,276
Public Service Activities	327,293	365,252	227,692	410,106	345,875
<b><i>Total Operating Expenses</i></b>	<b><u>\$2,663,837</u></b>	<b><u>\$2,809,900</u></b>	<b><u>\$2,782,297</u></b>	<b><u>\$3,140,753</u></b>	<b><u>\$3,163,322</u></b>
<b><i>Operating Loss</i></b>	<b><u>(\$511,083)</u></b>	<b><u>(\$600,621)</u></b>	<b><u>(\$669,513)</u></b>	<b><u>(\$737,257)</u></b>	<b><u>(\$720,342)</u></b>

\* Net of scholarship allowances of \$288,708 at June 30, 2017, \$244,025 at June 30, 2016, \$212,469 at June 30, 2015, \$201,186 at June 30, 2014, and \$189,753 at June 30, 2013.

(continued)

**NONOPERATING REVENUES/(EXPENSES)**

Federal Appropriations	\$6,774	\$7,020	\$6,619	\$6,827	\$6,602
State Appropriations	519,311	570,618	621,200	669,748	720,817
State Appropriations – Federal Stimulus Funds					
Gifts	30,044	29,013	30,351	42,415	26,253
Investment Income	56,037	86,685	29,579	29,381	28,756
Unrealized Gain (Loss) on Investments			(11,327)	(7,633)	15,466
Endowment Income	13,614	16,642			
Endowment Income Distributed for Operations			23,362	24,740	26,877
Interest on Indebtedness	(91,364)	(89,496)	(100,332)	(105,276)	(110,069)
Non-operating Federal Grants	70,586	74,279	76,539	75,743	74,050
Other Non-operating Income	1,002	1,046	2,927	1,540	17,085
<i>Net Non-operating Revenues</i>	<b>\$606,004</b>	<b>\$695,807</b>	<b>\$678,918</b>	<b>\$737,485</b>	<b>\$805,837</b>
<i>Income/(Loss) Before Other Revenues, Expenses, Gains and Losses</i>	<b>\$94,921</b>	<b>\$95,186</b>	<b>\$9,405</b>	<b>\$228</b>	<b>\$85,495</b>
Capital Appropriations	\$112,581	\$112,132	\$62,582	\$121,298	\$121,380
Capital Grants and Contracts	39,347	21,987	55,823	51,259	29,080
Endowment Return, net of amount used for operations			(13,086)	(28,958)	21,278
University Related Organization Transactions					
Capital Contribution	1,514	250	0	2,985	0
Disposal of Plant Facilities	(8,802)	(6,198)	(12,120)	(10,462)	(4,274)
Other Additions/Deductions	2,939	(19,418)	(15,565)	(3,605)	(2,699)
<i>Total Other Revenues, Expenses, Gains and Losses</i>	<b>\$150,579</b>	<b>\$108,753</b>	<b>\$77,634</b>	<b>\$132,517</b>	<b>\$164,765</b>
<i>Total Increase in Net Position</i>	<b>\$245,500</b>	<b>\$203,939</b>	<b>\$87,039</b>	<b>\$132,745</b>	<b>\$250,260</b>
<b>NET POSITION</b>					
Net Position at Beginning of Year	\$2,368,856	\$2,614,356	\$2,818,295	\$2,667,348	\$2,800,093
Cumulative effect of adoption of GASB 68			(238,906)		
Net Position at Beginning of Year, Adjusted	\$2,368,856	\$2,614,356	\$2,579,389	\$2,667,348	\$2,800,093
<i>Net Position at End of Year</i>	<b>\$2,614,356</b>	<b>\$2,818,295</b>	<b>\$2,667,348</b>	<b>\$2,800,093</b>	<b>\$3,050,353</b>

**SUMMARY OF FINANCIAL RESULTS, FISCAL YEARS 2015 THROUGH 2017**

The following is a summary of the University's financial results for fiscal years 2015 through 2017.

**Fiscal Year 2017**

Financial Highlights

The University's net position (not including University related organizations) increased approximately \$250 million from \$2.8 billion in fiscal year 2016 to \$3.1 billion in fiscal year 2017.

The University expended approximately \$240.5 million on plant operations and maintenance activities during fiscal year 2017.

Summary of Assets and Liabilities

At June 30, 2017, the University's total assets (not including University Related Organizations) were approximately \$7.0 billion, an increase of approximately \$366.6 million over the approximately \$6.6 billion in assets recorded in fiscal year 2016. The University's largest asset continues to be its net investment in its physical plant of \$4.9 billion at June 30, 2017 (\$4.6 billion in fiscal year 2016). Other significant assets include current and noncurrent investments and cash and securities.

University liabilities (not including University Related Organizations) totaled approximately \$4.1 billion at June 30, 2017, an increase of approximately \$73.0 million compared to the approximately \$4.1 billion in liabilities in fiscal year 2016.

The University's current assets of approximately \$739.8 million in fiscal year 2017 were above the current liabilities of approximately \$619.3 million, as the current ratio was 1.19 dollars in assets to every one dollar in liabilities. In fiscal year 2016, the current ratio was 0.87 (approximately \$677.9 million in current assets and \$774.8 million in current liabilities).

The University's unrestricted and restricted expendable net assets totaled approximately \$818.9 million, which represents approximately 26% of total operating expenditures of approximately \$3.2 billion during fiscal year 2017.

In fiscal year 2017, the University's unrestricted net assets totaled approximately \$617.2 million. Substantially all unrestricted net assets are designated to support academic, research, auxiliary enterprises or unrestricted funds functioning as endowments, or are committed to capital construction projects.

#### Summary of Operating Revenues and Operating Expenditures

The University's total operating revenues for fiscal year 2017 were approximately \$2.4 billion. This represents an increase of approximately \$290.7 million over the approximately \$2.1 billion in operating revenues in fiscal year 2015. The most significant sources of revenue for the University are tuition and fees, grants and contracts, auxiliary services and public service activities at the Worcester Campus. Tuition and fees, grants and contracts, auxiliary services and all other operating revenue (which includes the above referenced public service activities) represent 34%, 22%, 16% and 28%, respectively, of total operating revenues.

In fiscal year 2017, University operating expenditures, including depreciation and amortization of approximately \$249.7 million, totaled approximately \$3.2 billion. Of this total, approximately \$1.7 billion or 53% was used to support the academic core activities of the University, including approximately \$447.4 million in research.

#### State Appropriations

In fiscal year 2017, state appropriations represented approximately 22% of all operating and non-operating revenues. The level of state support is a key factor influencing the University's overall financial condition. Although the state appropriation is unrestricted revenue, nearly all of the state appropriation supports payroll and benefits for University employees.

In fiscal year 2017, the net state appropriation increased approximately \$51.1 million over fiscal year 2016 amounts, due to a higher level of state appropriation and related fringe benefit support.

#### **Fiscal Year 2016**

#### Financial Highlights

The University's net position (not including University related organizations) increased approximately \$132.7 million from \$2.7 billion in fiscal year 2015 to \$2.8 billion in fiscal year 2016.

The University expended approximately \$228.4 million on plant operations and maintenance activities during fiscal year 2016.

### Summary of Assets and Liabilities

At June 30, 2016, the University's total assets (not including University Related Organizations) were approximately \$6.6 billion, an increase of approximately \$59.9 million over the approximately \$6.5 billion in assets recorded in fiscal year 2015. The University's largest asset continues to be its net investment in its physical plant of \$4.6 billion at June 30, 2016 (\$4.3 billion in fiscal year 2015). Other significant assets include current and noncurrent investments and cash and securities.

University liabilities (not including University Related Organizations) totaled approximately \$4.1 billion at June 30, 2016, an increase of approximately \$78.8 million compared to the approximately \$4.0 billion in liabilities in fiscal year 2015.

The University's current assets of approximately \$677.9 million in fiscal year 2016 were below the current liabilities of approximately \$774.8 million, as the current ratio was 0.87 dollars in assets to every one dollar in liabilities. In fiscal year 2015, the current ratio was 0.81 (approximately \$692.7 million in current assets and \$856.5 million in current liabilities).

The University's unrestricted and restricted expendable net assets totaled approximately \$797.7 million, which represents approximately 25% of total operating expenditures of approximately \$3.1 billion during fiscal year 2016.

In fiscal year 2016, the University's unrestricted net assets totaled approximately \$549.5 million. Substantially all unrestricted net assets are designated to support academic, research, auxiliary enterprises or unrestricted funds functioning as endowments, or are committed to capital construction projects.

### Summary of Operating Revenues and Operating Expenditures

The University's total operating revenues for fiscal year 2016 were approximately \$2.4 billion. This represents an increase of approximately \$290.7 million over the approximately \$2.1 billion in operating revenues in fiscal year 2015. The most significant sources of revenue for the University are tuition and fees, grants and contracts, auxiliary services and public service activities at the Worcester Campus. Tuition and fees, grants and contracts, auxiliary services and all other operating revenue (which includes the above referenced public service activities) represent 34%, 22%, 16% and 28%, respectively, of total operating revenues.

In fiscal year 2016, University operating expenditures, including depreciation and amortization of approximately \$240.9 million, totaled approximately \$3.1 billion. Of this total, approximately \$1.6 billion or 52% was used to support the academic core activities of the University, including approximately \$434.2 million in research.

### State Appropriations

In fiscal year 2016, state appropriations represented approximately 21% of all operating and non-operating revenues. The level of state support is a key factor influencing the University's overall financial condition. Although the state appropriation is unrestricted revenue, nearly all of the state appropriation supports payroll and benefits for University employees.

In fiscal year 2016, the net state appropriation increased approximately \$48.6 million over fiscal year 2015 amounts, due to a higher level of state appropriation and related fringe benefit support.

### **Fiscal Year 2015**

#### Financial Highlights

The University's net position (not including University related organizations) decreased approximately \$150.9 million from \$2.8 billion in fiscal year 2014 to \$2.7 billion in fiscal year 2015. The most significant changes

were the increase in pension liability due to the implementation of GASB 68, Accounting and Reporting for pensions of \$238.8 million and an increase in bonds payable of \$258.8 million.

The University expended approximately \$217.9 million on plant operations and maintenance activities during fiscal year 2015.

#### Summary of Assets and Liabilities

At June 30, 2015, the University's total assets (not including University Related Organizations) were approximately \$6.5 billion, an increase of approximately \$326.9 million over the approximately \$6.2 billion in assets recorded in fiscal year 2014. The University's largest asset continues to be its net investment in its physical plant of \$4.3 billion at June 30, 2015 (\$4.1 billion in fiscal year 2014). Other significant assets include current and noncurrent investments and cash and securities.

University liabilities (not including University Related Organizations) totaled approximately \$4.0 billion at June 30, 2015, an increase of approximately \$484.0 million compared to the approximately \$3.5 billion in liabilities in fiscal year 2014.

The University's current assets of approximately \$692.7 million in fiscal year 2015 were below the current liabilities of approximately \$856.5 million, as the current ratio was 0.81 dollars in assets to every one dollar in liabilities. In fiscal year 2014, the current ratio was 0.88 (approximately \$592.8 million in current assets and \$674.3 million in current liabilities).

The University's unrestricted and restricted expendable net assets totaled approximately \$761.0 million, which represents approximately 27.4% of total operating expenditures of approximately \$2.78 billion during fiscal year 2015.

In fiscal year 2015, the University's unrestricted net assets totaled approximately \$591.4 million. Substantially all unrestricted net assets are designated to support academic, research, auxiliary enterprises or unrestricted funds functioning as endowments, or are committed to capital construction projects.

#### Summary of Operating Revenues and Operating Expenditures

The University's total operating revenues for fiscal year 2015 were approximately \$2.1 billion. This represents a decrease of approximately \$96.5 million over the approximately \$2.2 billion in operating revenues in fiscal year 2014. The most significant sources of revenue for the University are tuition and fees, grants and contracts, auxiliary services and public service activities at the Worcester Campus. Tuition and fees, grants and contracts, auxiliary services and all other operating revenue (which includes the above referenced public service activities) represent 36%, 24%, 17% and 22%, respectively, of total operating revenues.

In fiscal year 2015, University operating expenditures, including depreciation and amortization of approximately \$221.0 million, totaled approximately \$2.8 billion. Of this total, approximately \$1.4 billion or 50% was used to support the academic core activities of the University, including approximately \$431.6 million in research.

#### State Appropriations

In fiscal year 2015, state appropriations represented approximately 22% of all operating and non-operating revenues. The level of state support is a key factor influencing the University's overall financial condition. Although the state appropriation is unrestricted revenue, nearly all of the state appropriation supports payroll and benefits for University employees.

In fiscal year 2015, the net state appropriation increased approximately \$50.6 million over fiscal year 2014 amounts, due to a higher level of state appropriation and related fringe benefit support through the state's investment in the University's 50/50 initiative.

## Endowment and Fundraising

The combined University and Foundation endowment assets have increased to approximately \$792.3 million at June 30, 2017 from approximately \$707.2 million at June 30, 2016. The University raised approximately \$126.9 million in cash, pledges, gifts-in-kind and private research grants in fiscal year 2017. The number of endowed chairs has grown from four in 1995 to approximately 106 in 2017, enhancing the University's academic reputation.

The total investment return for fiscal year 2017, including realized and unrealized activity was a net gain of approximately \$78.6 million. The endowment funds for all five of the University's campuses are commingled into a pooled investment fund and are tracked by the Foundation using unit value accounting. The Foundation employs a market value unit method of accounting, whereby participating endowment funds enter and withdraw from the pooled investment fund based on monthly unit values. Changes in market value and monthly income are allocated proportionately to each endowment fund participant. The effective spending rate for Foundation endowment funds was 4.0% for fiscal year 2017, which represents approximately 1.0% of the University's total operating and non-operating revenues.

The following details the University and Foundation endowment assets at June 30:

### University and Foundation Endowment Assets (\$ thousands)

<u>2013*</u>	<u>2014*</u>	<u>2015*</u>	<u>2016*</u>	<u>2017*</u>
\$652,033	\$743,710	\$739,606	\$707,246	\$792,278

\*The Kennedy Institute quasi-endowment has been removed from the University and Foundation Endowment Assets presented here. The Kennedy Institute invested approximately \$10 million in the Foundation's pooled Endowment in December 2009 and \$15 million in July 2014. The Kennedy Institute quasi-endowment is recorded by the Foundation on an agency basis.

## CURRENT AND FUTURE CAPITAL PLANS

The University Trustees reviewed and approved a five-year capital plan for fiscal years 2017-2021 in September 2016, including projects already in process with prior approval of the University Trustees. The University generally has funded its capital plans through a combination of funds received from University operations, bonds issued by UMBA, bonds issued by MDFA, Commonwealth appropriations and private fund raising.

The University must follow certain procedures for state capital spending as defined by the Commonwealth's Executive Office for Administration and Finance ("EOAF"). Such spending may be financed through the issuance of Commonwealth general or special obligation bonds or other designated revenue, including transfers from budgeted funds. The Commonwealth's Division of Capital Asset Management and Maintenance ("DCAMM") manages a five-year capital-spending plan, which is approved by the Commonwealth's Secretary of Administration and Finance. The University works closely with DCAMM to ensure that the priorities of the University are included in the five-year capital plan for state funding.

The University Trustees, University administration, and campus leadership have identified capital issues as instrumental to the University's goal of continuing to improve educational quality at all five campuses by enhancing academic achievement and student experience. Following a period of limited investment in the University's capital assets in the 1980s and 1990s, the University has invested more than \$4.3 billion in capital projects between fiscal years 2005 and 2017. Given the average age of the University's campus buildings, a significant need to maintain and upgrade capital assets is expected over the next decade. The University's administration works closely with each of the campuses in developing the capital plan to reflect the needs and goals of each of the campuses. To further improve project planning and implementation across the University, the University administration and UMBA have collaborated with campus leadership to design an integrated project assessment and tracking process. Furthermore, within budgetary limitations and programmatic requirements, the University is making a concerted effort to incorporate the principles of energy efficiency and sustainability in all its capital projects.

In 2016, the Baker Administration launched a multi-phased strategic planning effort with multiple work groups including Economic Development, Workforce Development, and Higher Education. The focus of the Higher Education work group was to develop a strategic framework for Higher Education Capital Planning. The work group conducted multiple regional planning workshops to develop a shared understanding of state-wide issues and to solicit input around criteria, principles, and metrics for future capital investment. The resulting methodology places a high priority on deferred maintenance and the repair and renovation of existing space. Higher Education institutions are required to submit project proposals which undergo a multi-step review process and must align to Commonwealth priorities. The new methodology for project selection will be utilized to develop the fiscal year 2019 state capital plan and it is expected that up to \$140 million will be available for funding.

Addressing deferred maintenance remains a priority within the University’s 2017-2021 capital plan. In 2015, the University hired Sightlines to conduct a Building Portfolio Solutions analysis in order to ensure that deferred maintenance was being consistently reported across all campuses and to develop a strategy for addressing deferred maintenance at the University. This analysis, now complete, will be the basis for recommending projects as part of the University capital planning process outlined in the University Trustee policy.

The projects within the capital plan are organized by approval status, per University Trustee policy:

**Approval of the Preliminary Campus Estimate** – Preliminary approval is granted to a project that meets established criteria. Preliminary approval is one of two required Board votes and allows a campus to proceed with a project. The campus will work with UMBA and other professionals to complete all the necessary studies and designs and develop a more complete project scope and cost estimate.

**Full Project Approval** – Full Project Approval is granted to a project that has completed the UMBA review process and has a confirmed project cost estimated. Once a project has reached the study phase or has completed the UMBA project review, it is eligible for Full Project Approval by the President and or the Board. A project cannot proceed to the design phase unless it has secured the Full Project Approval.

The following table summarizes the most recent quarterly update to the 2017-2021 five-year capital plan, by approval status:

<b>University Campus</b>	<b>Preliminary Approval</b>	<b>Full Project Approval</b>	<b>Total Approved</b>
Amherst	\$86,750,000	\$436,951,000	\$523,701,000
Boston	\$155,500,000	\$839,289,513	\$994,789,513
Dartmouth	\$0	\$80,509,308	\$80,509,308
Lowell	\$30,000,000	\$299,900,000	\$329,900,000
Worcester	\$70,340,000	\$75,000,000	\$145,340,000
<b>Total</b>	<b>\$342,590,000</b>	<b>\$1,731,649,821</b>	<b>\$2,074,239,821</b>

Source: Quarterly Approved Project List update to the Five-Year Capital Plan as of November 2017.

### **INDEBTEDNESS OF THE UNIVERSITY**

The University is obligated, under various contractual arrangements, to make payments on indebtedness issued on its behalf, including indebtedness issued by UMBA and MDFA, as described below.

#### **Bonds Issued by UMBA**

UMBA was created as a body politic and corporate and a public instrumentality of the Commonwealth for the general purpose of aiding and contributing to the performance of the educational and other purposes of the University by providing dormitories, dining commons and other buildings and structures for the use of the University, its students, staff and their dependents and for lease to certain other entities related to the University, all in accordance with UMBA’s enabling legislation.

As of June 30, 2017, UMBA had outstanding bonds of approximately \$2.9 billion for which the University is contractually obligated to provide for the payment of debt service or act as UMBA's agent to collect rates, rents, fees and other charges. UMBA's bonds are secured by and payable from, in addition to other moneys, all available funds of the University, including trust funds and other funds administered by the University as gifts, grants or trusts, or as provided in the University enabling act. Further, the University is obligated to UMBA to cause to be available in its Unrestricted Net Assets at all times amounts sufficient to pay such costs.

#### *Interest Rate Swap Agreements*

UMBA has entered into three separate interest rate swap agreements (the "Swaps") under which UMBA pays a fixed rate and receives a floating rate. The Swaps hedge four series of outstanding variable rate bonds of UMBA, the Project Revenue Bonds, Senior Series 2008-1 (the "Series 2008-1 Bonds"), Facilities Revenue Bonds, Senior Series 2008-A (the "Series 2008-A Bonds"), Project Revenue Bonds, Senior Series 2011-1 (the "Series 2011-1 Bonds") and Project Revenue Bonds, Senior Series 2011-2 (the "Series 2011-2 Bonds" and collectively with the Series 2011-1 Bonds, the "Series 2011 Bonds"). The Swap for the Series 2008-1 Bonds is with UBS AG, and UMBA pays an amount equal to 3.4% per annum of the notional amount and receives the floating rate based on 70% of one-month LIBOR. The Swap for the Series 2008-A Bonds is with Deutsche Bank AG and UMBA pays an amount equal to 3.4% per annum of the notional amount and receives a floating rate based on 70% of one-month LIBOR. The Swap for the Series 2011 Bonds is with Citibank, N.A. and UMBA pays an amount equal to 3.5% per annum of the notional amount and receives the floating rate based on 60% of one-month LIBOR plus 0.2%.

The Swaps are subject to periodic "mark-to-market" valuations and may have a negative impact on the financial statements of UMBA and the University. In addition, the counterparty to each Swap may be able to terminate its respective Swap upon certain events of default under such Swap, in which case UMBA could be required to make a material termination payment to the counterparty, which payment is a contractual obligation of the University to UMBA. In addition, UMBA and the University may be exposed to basis risk (imperfect correlation between the floating rates paid on the applicable bonds and received under the related swap). With respect to the Swap for the Series 2011 Bonds, UMBA and the University would be required to post collateral in certain market situations if the ratings on the Series 2011 Bonds fell to "A2" or below by Moody's or "A" or below by S&P.

#### *Letters of Credit and Liquidity Facilities*

The Series 2008-A Bonds, the Series 2008-1 Bonds and the Series 2011-1 Bonds are variable rate demand obligations subject to put by the holders thereof and are supported by standby bond purchase agreements. The standby bond purchase agreements with Barclays Bank PLC supporting the 2008-A and 2008-1 bonds are set to expire on April 15, 2019 and April 22, 2019. The standby bond purchase agreement with Wells Fargo Bank, N.A. that supports the Series 2011-1 Bonds expires on June 9, 2019.

#### *Commercial Paper*

In August 2013, UMBA established a commercial paper program, consisting of its \$125 million Commercial Paper Notes, Series 2013 A (the "Series 2013A Notes"), supported by an irrevocable letter of credit provided by State Street Bank and Trust Company, which expired on August 12, 2016, and its \$75 million Commercial Paper Notes, Series 2013 B (the "Series 2013B Notes") secured by a standby liquidity facility provided by U.S. Bank N.A., which expired on August 12, 2016. The letter of credit was replaced with a standby liquidity facility agreement that expires in August 12, 2019. The standby liquidity facility provided by U.S. Bank N.A. was extended in fiscal year 2016 and now expires on August 12, 2019. UMBA may issue notes under either series on a taxable or tax-exempt basis to further UMBA's and the University's efforts to establish a "just in time" borrowing program to fund the University's capital plan as needed during construction periods. Such notes are secured under the Trust Agreement dated as of November 1, 2000, between UMBA and U.S. Bank N.A., as successor trustee, and a contract with the University and are repayable from the proceeds of rollover commercial paper notes, funds advanced under the liquidity facilities, bonds to be issued by UMBA in the future or available funds of the University. As of June 30, 2017, UMBA had no commercial paper outstanding.

**Bonds Issued by the Massachusetts Development Finance Agency**

As of June 30, 2017, MDFA has outstanding bonds of approximately \$54.3 million, for which the University is contractually obligated to pay debt service.

**Annual Debt Service on UMBA and MDFA Bonds**

The table on the following page sets forth the principal and interest due on bonds issued by UMBA and the MDFA on behalf of the University as of June 30, 2017, on a fiscal year basis.

**Annual Debt Service on UMBA and MDFA Bonds as of June 30, 2017**

<b>Fiscal Year Ending June 30</b>	<b>Outstanding UMBA Bonds<sup>(1)</sup></b>	<b>Outstanding MDFA Bonds</b>	<b>Total<sup>(1)(2)</sup></b>
2018	224,688,460	3,609,442	228,297,902
2019	227,463,376	3,620,945	231,084,321
2020	227,283,575	3,982,242	231,265,817
2021	227,183,915	4,005,795	231,189,710
2022	215,609,728	3,950,203	219,559,931
2023	215,781,027	3,941,785	219,722,812
2024	215,952,272	3,931,980	219,884,252
2025	200,508,422	2,930,800	203,439,223
2026	203,276,990	3,140,395	206,417,386
2027	198,913,068	2,803,591	201,716,659
2028	197,569,299	2,696,400	200,265,699
2029	190,721,846	2,700,900	193,422,746
2030	179,270,579	2,697,900	181,968,479
2031	162,498,402	22,347,400	184,845,802
2032	162,895,561	1,994,300	164,889,861
2033	154,472,174	1,988,600	156,460,774
2034	138,475,981	1,985,200	140,461,181
2035	153,188,420	1,983,900	155,172,320
2036	166,568,957	-	166,568,957
2037	165,634,092	-	165,634,092
2038	157,753,624	-	157,753,624
2039	163,545,838	-	163,545,838
2040	136,699,577	-	136,699,577
2041	135,223,387	-	135,223,387
2042	105,346,171	-	105,346,171
2043	105,354,748	-	105,354,748
2044	102,330,239	-	102,330,239
2045	77,185,003	-	77,185,003
2046	42,818,581	-	42,818,581
2047	20,939,200	-	20,939,200
2048	20,935,500	-	20,935,500

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(1) Assumes the fixed rate payable under the Swaps with respect to UMBA's outstanding variable rate bonds and excludes the subsidy amount expected to be received in connection with UMBA's outstanding "Build America Bonds" issued under ARRA. See "Bonds Issued by UMBA –Interest Rate Swap Agreements" herein for a description of the Swaps.

(2) Totals may not add due to rounding.

## Unrestricted Net Assets\*

As of June 30, 2017, the outstanding principal amount of UMBA and MDFA debt secured by the University's unrestricted net assets was approximately \$2.9 billion. The chart below details the University's unrestricted net assets (not including University Related Organizations) in fiscal years 2013-2017.

<b>Fiscal Year</b>	<b>2013</b>	<b>2014</b>	<b>2015<sup>+</sup></b>	<b>2016</b>	<b>2017</b>
Unrestricted Net Assets	\$757,655,000	\$825,611,000	\$591,438,000	\$549,471,000	\$617,199,000

\* Derived from the audited financial statements for fiscal years 2013-2017. The University's financial statements include prior year comparative information. Certain prior year amounts have been reclassified to conform with the current year presentation. These reclassifications have no effect on total net assets.

<sup>+</sup>Adoption of GASB 68 for year ended 6/30/15

## Additional Indebtedness

Under the terms of the trust agreements and financing agreements securing the above-referenced indebtedness issued by UMBA, the University may, without limit, issue additional indebtedness or request UMBA or MDFA to issue additional indebtedness on behalf of the University so long as such indebtedness is payable from all funds of the University permitted by law to be applied thereto. With certain exceptions described below, the University may not pledge, or permit to exist any lien on, any of its funds or revenues. The University may request UMBA to issue additional indebtedness on behalf of the University that is not payable from all funds of the University permitted by law to be applied thereto, provided: (i) the additional indebtedness is secured by (a) pledged revenues derived from the project or projects being financed, (b) new or increased student fees whether imposed by the University or UMBA, (c) existing pledged revenues, or (d) any combination of the foregoing; and (ii) the maximum annual debt service on all revenue indebtedness then outstanding, including the proposed additional indebtedness, does not exceed 10% of the amount shown in the then most recent audited financial statements of the University as total available revenues. Indebtedness of the University may not be subject to acceleration.

## Capitalized Leases

At June 30, 2017, the University had \$592 thousand in outstanding capital lease obligations.

## INSURANCE

The University, as an agency of the Commonwealth, is self-insured for property loss exposure, subject to appropriation from the Legislature. However, properties owned by UMBA located on a campus of the University, such as the Mullins Center, dining commons and most dormitories, are insured by UMBA. In addition, certain properties owned by other University Related Organizations and leased to the University are insured by the related organization. The University's liability for damages to third parties as a result of negligence by University employees is limited under Chapter 258 of the General Laws. The University maintains certain liability insurance policies, including Commercial General Liability, leased Automotive Liability, Directors and Officers and Comprehensive Crime policies. Employees of the University are covered for Worker's Compensation protection under Chapter 152 of the General Laws.

## TECHNOLOGICAL INITIATIVES

The University campuses and the President's Office have undertaken a variety of planning and organizing activities designed to establish project structures, roles and responsibilities and collaborative plans and processes for technology improvements at the University. The University has implemented system-wide human resources/payroll, financial, e-procurement and grants management systems, which it will continue to update. It has also implemented Student Information Systems to support the processes of admissions and recruiting, maintaining student records and student financials, and awarding and processing financial aid. These systems are expected to continue to enhance business functions by further consolidating processing, streamlining operations and increasing utilization through new features and self-service offerings. A major focus in fiscal year 2017 was enhanced self-service capability to leverage

contemporary functionality. The University also continues to invest in application upgrades and data analytics to improve its understanding of areas such as financial spend and student outcomes and to enable better decision making.

In 2015, the University completed the implementation of UMassnet, the next generation wide area network spanning and connecting all UMass campuses across the state. This network is a carrier class optical network spanning over 500 fiber span miles with 10gb/100gb bandwidth. This transformational project is enabling technologies at the University such as Virtual Desktop Infrastructure (VDI), video, lecture capture, unified communications, high performance computing, and campus data center optimization. The University continues to invest in maintaining this network as well as enhancing and expanding where needed.

The University is a participant in a consortium of academic institutions and government and business leaders that constructed and operates the \$95 million Massachusetts Green High Performance Computing Center (“MGHPCC”) in Holyoke, Massachusetts. The cutting-edge, research-oriented facility relies on hydroelectric power and is intended to encourage economic development in the region and serve as a vehicle for collaboration between key participants while establishing Massachusetts as a global leader in the application and development of next generation computing technologies. In addition to the University, academic partners include the Massachusetts Institute of Technology, Boston University, Harvard University, and Northeastern University, and key business participants include Cisco Systems and EMC Corporation.

In production for five years, the MGHPCC and the partnership model used to create it has received national recognition. The consortium has experienced continued success securing multi-institutional federal research awards. For example, the Commonwealth Computational Cloud for Data Driven Biology, funded by a grant from the Massachusetts Life Sciences Center, supports life sciences innovation, research, development and commercialization projects with near term prospects for commercialization. Within UMass, a shared high performance computing environment now supports the work of over 1,200 researchers in over 260 labs across 5 campuses. The consortium is developing plans for “Day 2” expansion as members reach capacity in existing space. The University continues to make creative use of the resource to deliver results that could not have been delivered otherwise.

UMassOnline has engaged in several technology initiatives that have resulted in immediate and long-term positive implications to the University’s internal and external constituents. These include updates to the core Learning Management System (Blackboard Learn), improvements in data processing from Student Information Systems, and additional features added to Blackboard Collaborate, as well as a new Mobile Application for Faculty and Students. UMassOnline continues to support the mission of the 5 campus system by assisting in revenue-generating projects to enhance the online learner experience.

UMassOnline has continued to partner with the UMass Donahue Institute to provide Learning Management System services to several programs, including the Massachusetts Department of Housing and Community Development (DHCD) Board Member Training and Civic Initiatives.

## **LITIGATION**

The University is a defendant in various lawsuits; however, University management is of the opinion that the ultimate outcome of any such litigation will not have any material effect on the financial position or financial results of the University.

## **EMPLOYEE RELATIONS**

The University employs 17,344 full and part-time faculty, professional and clerical and maintenance support staff, of which 10,383 are covered by collective bargaining units (not including post-doctoral employees, certain contract employees, graduate employees and undergraduate resident assistants). Of those covered, 3,645 are faculty, 2,923 are professional staff, 3,634 are clerical and maintenance support staff and 181 are police officers. In total, the University currently has approximately 41 collective bargaining units (including two post-doctoral employee units, three graduate employee units and one undergraduate resident assistants unit). The University is currently negotiating the terms of many of its collective bargaining agreements, which expired on June 30, 2017. Employees covered by University collective bargaining units cannot strike under Massachusetts law.

In general, University employees are covered by a contributory Massachusetts retirement system set up by Chapter 32 of the General Laws, the State Employees' Retirement System ("SERS" or "State Retirement Plan"). The State Retirement Plan is a defined benefit plan that provides retirement benefits based upon age at retirement, years and months of service and the average of the highest three to five consecutive years of base salary. As an alternative to SERS, eligible employees have the option of participating in the Commonwealth's Optional Retirement Program (the "ORP"). The ORP is a defined contribution plan, administered by the DHE. Eligibility for participation in the ORP was expanded by Chapter 68, Section 44 of the Acts of 2011. Employees can also participate in various optional supplemental retirement programs, such as the University of Massachusetts 403(b) Elective Deferral Savings Plan and the Commonwealth's 457(b) Deferred Compensation Plan. Employees generally are eligible to participate in various fringe benefit plans such as the dependent care assistance program and the health, dental, life and disability insurance plans. The majority of these benefits are sponsored by the Commonwealth. However, the University does sponsor a smaller subset of benefits for employees of the Worcester Campus, including dental and vision plans as well as life and long-term disability plans.

Dated: February 23, 2018