



June 11, 2014

President Caret and the University of Massachusetts Board of Trustees:

We are submitting for your consideration the University's FY15 Operating Budget which totals \$3.0 billion. This total represents an increase of \$60.4 million or 2.0% over the FY14 year-end projection and incorporates assumptions regarding the State Appropriation and Student Fees that are described further in this document.

As you know, we have been working closely with our State partners to develop a more equitable solution for Massachusetts residents hoping to receive a quality and affordable education. When developing the FY14 budget, a proposal was submitted that suggested the State provide 50% of the cost to educate a UMass student with the student supporting the remaining 50%.

Recognizing the cost needed to reach this goal, it was recommended that the investment be phased in over FY14 and FY15. For FY14, the first phase of support was provided by the State and although not final, the FY15 recommendations from the Governor, House and Senate have proposed the second phase. The increase in appropriation and fringe support totals \$100 million over this period and demonstrates the State's commitment to the University's mission and also the confidence that the University is taking its stewardship of State and Student resources seriously.

It is the responsibility of the University to keep the overall cost of education affordable while not compromising on quality. While certain costs continue to rise such as contractual obligations and debt service to support the capital program, the University has committed to examining business practices and to implementing meaningful, financially impactful improvements wherever possible. In order to continue to address our demands while maintaining affordability, the University is currently implementing several efficiency projects in the areas of IT, Energy and Procurement that are estimated to save \$137 million in direct savings and avoided costs over the life the of the projects. The University has and will continue to cut costs and create efficiencies where ever possible to maintain quality.

The budget before you represents the unique needs of each of the campuses along with the investments needed to maintain current program demands and future investments that strengthen the University. By staying focused on our mission and key focal areas we are able to balance the needs of our students with limited resources. The budget aligns with our six priority areas of:

1. Student Experience & Success – Provides for campus services that have to date resulted in an 83% freshmen retention rate and a 60% graduation rate.
2. Educated Workforce & Engaged Citizenry – Provides for opportunities for students to participate in experiential learning within the campus community, the region, and across the globe.



3. World Class Research & Development Enterprise – Includes modest research growth to account for federal budget reductions while maximizing the State’s investment in Life Sciences.
4. Enhanced Social Well-Being – Supports enrollment growth by following tenure track faculty plans, providing state-of- the art learning and living spaces and offering new programs where demand exists.
5. Good Stewardship of Resources – Provides for prudent investment in the University’s capital plan that creates a planned negative operating margin that is expected to be positive by FY18. This budget is responsible today and strengthens the University’s position for the future.
6. Telling & Selling the UMass Story – Continues to tell the UMass story through our students and alumni as reflected by continued recognition for quality and value.

The following pages provide details on the proposed FY15 budget for the University that demonstrates our commitment to our mission, our students and our stakeholders.

Respectfully,

A handwritten signature in cursive script that reads "Christine M. Wilda".

Christine M. Wilda

Senior Vice President for Administration & Finance and Treasurer



**Executive Summary**

The FY15 Operating budget for the University totals \$3.0 billion, an increase of \$60.4 million or 2.0% over the FY14 year-end projection.

(\$ in 000's)	FY13 Actual	FY14 Projected	FY15 Budget	FY15 v. FY14 Proj.	
Revenues	\$2,816,263	\$2,933,737	\$2,963,115	\$29,378	1.0%
Expenditures	\$2,755,201	\$2,963,548	\$3,023,992	\$60,444	2.0%
Operating Surplus / (Deficit)	\$61,062	(\$29,811)	(\$60,877)		
Operating Margin	2.2%	-1.0%	-2.1%		

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

The operating margin measures whether or not the University lived within its means during the year and the level of reserves were set aside. The FY15 operating margin deficit for the University as a whole indicates the intentional use of reserves needed to help support the capital program and other strategic initiatives at the campus level. The Operating Margin is calculated by taking the total operating revenues (including state and federal appropriations, gifts, and investment income) less total operating expenditures (including interest expense) divided by total operating revenues. The University has a goal of achieving a positive 2.0% operating margin, but is currently experiencing a negative operating margin based primarily on investments being made in the University’s capital plan.

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

Operating Margin	FY14	FY15	FY16	FY17	FY18
Amherst	3.4%	1.8%	1.4%	0.2%	-1.3%
Boston	-1.8%	-2.3%	-1.5%	-2.0%	0.2%
Dartmouth	-2.5%	-3.9%	2.2%	4.8%	6.3%
Lowell	0.0%	-1.7%	-1.1%	0.5%	0.5%
Worcester	-4.1%	-4.5%	-1.0%	-0.2%	1.2%
University	-1.0%	-2.1%	0.0%	0.3%	0.6%



The Amherst currently campus has a positive year end position; however it is expected that without additional State funding for capital infrastructure they will need to make investments that may drive their margin negative in the out years.

The Boston campus, after years of no investments in their capital facilities is transforming itself and trying to deal with basic infrastructure improvements needed to meet the demand of its current students and attract new students. These investments are being made through both State support and through campus borrowing that is contributing to their negative operating margin through FY18. It is expected that through increased enrollment and expansion of programs that the investments today will generate a stronger campus for the future.

The Dartmouth campus, both prior year investments in capital which currently has the campus at its debt to operating ratio cap and enrollment contribute to its negative operating margin. Nationally, law school enrollment has been trending low for the past several years which impacted the Dartmouth campus Law School. As debt service is paid down and if enrollment trends for the Law School and the campus as a whole increases, these two factors will help change the margin for the Dartmouth campus. In the meantime, other strategies are being sought by the campus.

The Lowell campus joined the America East Athletic Conference in July 2013 elevating all programs to the Division 1 level. This move aligns the campus more closely with peer research institutions in the region and across the country. In addition, investments made in the University Crossing campus center will provide coordinated and expanded student services and programming for Lowell's students. These key initiatives are recognition of the progress that the University has made toward achieving the goals set out by the strategic plan but requires investments today to support them that will make the campus financially stronger for the future.

At the Medical School, maintaining the environment that allows UMMS faculty to excel in their mission-based activities requires continuous investment in facilities, core equipment, novel research programs and recruitment. The balance between revenue-based, margin generating business activities that have been developed and managed by UMMS to augment its support of academic achievement versus traditional program support for UMMS' founding mission is a constant challenge. Both the FY14 and FY15 financial performance and projections are impacted by recent capital investments, recruitment and fluctuations in UMMS' approximately \$400 million of annual revenue-based operations.



In FY14 the University advanced a funding proposal aimed at establishing a more equitable solution for Massachusetts families to provide their children with an excellent, affordable education. The proposal suggested that the Commonwealth provide 50% of the cost of educating a resident undergraduate student at UMass. Because of the fiscal challenges faced by the State and the investment needed to support this proposal, it was recommended that the investment be phased in over FY14 and FY15. It is anticipated that the investment made over FY14 and FY15 will bring the University to a more solid base. Then each subsequent year will require a maintenance increase in order to support continuing inflation and other non-discretionary costs such as Collective Bargaining, that are not offset by efficiency and other cost cutting measures along with a modest fee increase.

The key tenet of the 50/50 Plan is to have the State Appropriation cover as close to 50% of the cost to educate a resident undergraduate student while the student supports the remaining 50%. It is the responsibility of the University to keep the overall cost of education affordable while not compromising quality. While certain costs continue to rise such as contractual obligations, and debt in support of capital needs, the University has committed to examine business practices and implement meaningful, financially impactful improvements wherever possible.

The FY15 budget totals \$3.0 billion and consists of two components, which are generally administered as separate budgets because of the way the funds are generated and used.

1. Approximately 60% of the budget is for the University's core education and general operations and is supported primarily from the State appropriation and tuition and fee revenue. This is the portion of the budget that would be supported and maintained by the 50/50 investment.
2. The remaining components of the University's budget are for self-supporting activities such as grants and contracts, sales and services, and auxiliary services. These funds, by their nature, generate revenues to support their activities

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

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

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

- **Table 1 – SRECNP** –The Statement of Revenues, Expenses and Changes in Net Position format is used. Audited Financial Statements are used to include actuals for FY11, FY12



and FY13 for each campus along with FY14 budgeted. Each campus is required to develop an FY14 projection and FY15 budget.

- **Table 2 – Natural Classification** – In addition to the SRECNP view of the fiscal year budget, a natural classification view is included which can be useful to the readers that are not as familiar with the financial statements. The natural classification view was endorsed by NACUBO as a presentation of the budget that could be used to improve comparability between institutions. However, it is not meant to replace the SRECNP format. Actuals are included for FY11, FY12 and FY13 for each campus along with FY14 budgeted. Each campus is required to develop an FY14 projection and FY15 budget.
- **Table 3 – Employee FTEs** – FY11, FY12, FY13 actuals along with FY14 budgeted employee FTEs are included. In addition, campuses are required to submit FY14 projected and FY15 budgeted FTEs. It should be noted that the employee FTE tables are estimates used for the budget process based on a point in time and tend to fluctuate during the fiscal year.
- **Table 4 – Student Headcount and FTEs** – There are several ways to report the student population of the University since like employee FTEs, this number fluctuates throughout the fiscal year. For the purposes of the budget presentation, the Student Profile Table 7 view of student headcount and FTEs is used which reports the Fall totals. FY11, FY12 and FY13 actual student headcount / FTEs are reported along with the FY14 projected and FY15 budgeted student headcount / FTEs.

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

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

Further information on the assumptions used to develop the FY15 budget are included on the following pages along with the budget tables at both the University level and the campus level.

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

The budget is developed and administered in accordance with Board of Trustee Policy T92-031 entitled "Policy for Management of University Funds". This policy stipulates that an annual operating budget for the University be prepared and approved by the Board of Trustees each fiscal year and that the University's Senior Vice president for Administration & Finance is responsible for planning and coordinating the budget process for the University. In addition to the budget, this policy specifies expenditure authority, guidelines and criteria, official records,



internal controls, and reporting requirements of the University and its campuses. It also stipulates policies regarding cash management, transfers, and reserves.

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

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

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

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

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

### ***Budget Calendar***

The University's fiscal year, like that of the Commonwealth, is from July 1 through June 30. Throughout a given fiscal year, activities are occurring in support of reporting on the prior year,



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

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

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

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

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

### ***UMass Overview***

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



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

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

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

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

Each campus of the University is accredited by NEASC, the major accrediting body for institutions of higher education in New England. The Amherst, Boston, Dartmouth, Lowell and Worcester Campuses are accredited through 2018, 2015, 2020, 2013 and 2020, respectively. The Lowell Campus is currently undergoing its routine decennial NEASC reaccreditation. The Medical School at the Worcester Campus is a member of the Association of American Medical Colleges and was given full accreditation through the 2019-2020 academic year by the LCME, the major accrediting body for programs leading to the M.D. degree. In addition to the foregoing, individual schools and academic programs are accredited by the appropriate agencies in their particular fields.

The University was rated as one of the world's best universities in the *Times Higher Education* of London's "World University Rankings" for 2013-2014. UMass was ranked 132<sup>nd</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, 27<sup>th</sup> highest in American public universities and 54<sup>th</sup> highest of all American institutions (public or private). The University was also ranked in the top 70 best universities in the world and in the top 35 best American universities in the *Times Higher Education* of London's "World Reputation Rankings" of 2014. Adding to its world-class reputation, total research and development expenditures at the University reached approximately \$591 million in



fiscal year 2013, marking the fourth straight year that the University has exceeded the \$500 million mark.

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

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

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

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

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

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



Each goal is rated on the basis of whether the University has made Excellent, Good, Some or Limited Progress in achieving the goal, when current performance is compared to the three-year trend. The ratings reflect the current state of the five-campus UMass system as a whole, rather than the performance of individual campuses. Of the 21 performance goals, the University was found to be making Excellent Progress on three, Good Progress on 14 and Some Progress on the other four goals. No goal received a Limited Progress rating.

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

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

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

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

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

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

In FY13, the University, through its Board of Trustees created a permanent Task Force on Efficiencies and Effectiveness charged with ensuring that improving quality through more



efficient and effective operations continues to be a priority for the University. The Task Force, along with the President’s Office and the campuses are working to promote a more standardized approach for cross campus coordination and oversight of the entire effort, track and report progress, and quantify the benefits to the University and its campuses.

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

<b>April 2014 Report</b>	<b># Projects</b>	<b>Cost Savings</b>	<b>Cost Avoidance</b>	<b>Total Saving</b>
University Purchasing Initiatives	20	\$10,740	\$20,870	\$31,610
Energy & Sustainability	33	\$13,375	\$58,455	\$71,830
IT Initiatives				
IT Procurement	18	\$1,116	\$3,118	\$4,234
UITS	44	\$3,788	\$25,528	\$29,316
<b>Subtotal</b>	<b>115</b>	<b>\$29,019</b>	<b>\$107,971</b>	<b>\$136,990</b>
Building Authority Initiatives	13	\$0	\$82,940	\$82,940
<b>TOTAL</b>	<b>128</b>	<b>\$29,019</b>	<b>\$190,911</b>	<b>\$219,930</b>

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

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



University's economies of scale. The Council evaluates whether common vendors are used on separately negotiated contracts, where common spending occurs using diverse vendors and where automation of processes may drive efficiency.

- Academic E&E – Under the leadership of President Caret and Senior Vice President Williams, the Academic E&E group meets regularly to evaluate campus practices around degree requirements, practices that promote productive and timely degree completion, curricular redesign and options available to students that can reduce time to degree, expenses or both.
- UMass Building Authority (UMBA) – Under the leadership of Executive Directive Trisha Filippone, UMBA has been aggressively working to implement best practices in borrowing by effectively managing borrowing schedules and plans and introducing more competition, a more diverse pool of project management, construction and legal teams, and bringing certain planning and legal activities in-house.
- Campus Working Groups - In addition to these working groups coordinated at the System level, each of the campuses is working to implement efficiency and effectiveness measures that are either specific to their campus needs or that may be used as a pilot that could later be implemented and benefit all of the campuses

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

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

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

### ***FY14 Update***

During the development of the FY14 budget for the University, a number of issues directly impacted the final budget. FY14 was the first year that the overall economic health of the Commonwealth was recovering in such a way that budget investments could be made. It was during this time that the 50/50 proposal was submitted and understood as a rational plan for investing in the University. Although the 50/50 was gaining traction, the House originally included in it their budget plan while the Senate did not. Instead, the Senate supported a



different initiative that was and continues to be important to the University in Tuition Retention. This created some uncertainty in budget planning until the final budget was adopted which supported the 50/50 investment and did not include Tuition Retention.

Directly related to the level of State Support were University fees. As part of the 50/50 plan, the University committed to freezing mandatory fees for in-State undergraduate students in an effort to allow for some “catch up” of the State Appropriation to the student’s portion of the overall educational cost. A fee structure was submitted to the Board that allowed for an increase of up to 4.9% for this population if the State’s investment was not supported. Once the State budget was finalized and included the 50/50 investment, campuses adjusted fee schedules to reflect the freeze for FY14.

In addition to developing plans around the State Appropriation and Student Fees, campuses were impacted by budget reductions and sequestration at the Federal level. While budgeted Federal grants mainly support the research arm of the University versus the educational costs that effect student charges, these Federal programs have staff, facilities and supplies that need to be funded. Campuses dealt with this uncertainty by reducing budgeted revenues which impacted the campuses in various ways in staff reductions, internal bridge loans to support programs and the use of reserves.

Overall, campuses project 1.7% enrollment growth for FY14 which varies based on each individual campus. Based on year end budget projections, the University is expected to end the year with a slight operating deficit as had been originally projected.

<b>(\$ in 000's)</b>	<b>FY13 Actual</b>	<b>FY14 Budget</b>	<b>FY14 Projected</b>
Revenues	\$2,816,263	\$2,914,473	\$2,933,737
Expenditures	\$2,755,201	\$2,935,830	\$2,963,548
Operating Surplus / (Deficit)	\$61,062	(\$21,357)	(\$29,811)
Operating Margin	2.2%	-0.7%	-1.0%

Although the University’s year end projection remains on track with budget, some changes at the campus level have occurred. The largest change to the year-end projection is at the Medical School due to a timing variance in MassBiologics revenues based budgeted milestone payment from Merck which will not be realized until FY15



***FY15 Challenges***

While the overall economy is projected to continue its recovery in FY15, budget planning relies on a number of factors that continue to create uncertainty and therefore need to be accounted for in the planning process.

Although from a financial statement view of the budget the State Appropriation represents 17% over the University’s revenues, its impact on students is much greater since it directly supports the Education & General (E&G) budgetary costs. E&G costs are those costs that support students such as Instruction, Academic Support, and O&M of plant, and represent 60% of the overall budget for the University. These costs are supported by tuition and fees paid by students, the state appropriation and some other revenues resources. Therefore the outcome of the State budget directly impacts student fees and the two revenue components must be considered together.

To date, the FY15 budget process at the State level supports the second year of 50/50 funding requested by the University. The Governor’s recommendation supports all but \$3 million of the request while the House budget supports the full University request. The Senate budget will be completed in May and a Conference Committee is then assigned to work out the final budget differences in order to produce a final budget for the Governor’s approval by July 1<sup>st</sup>. Below is a summary of the State budget action to date.

Line Item		FY14 GAA	FY15 Request	FY15 Governor's	FY15 House Final	FY15 Senate Final
7100-0200	University of Massachusetts	\$478,891,873	\$518,755,373	\$515,769,023	\$518,955,373	\$518,855,373

In addition to the main State Appropriation for the University, there is still uncertainty for funding collective bargaining contracts that begin July 1<sup>st</sup>. Currently, this funding is not included in the published versions of the budget. Since the contracts are not yet finalized, an appropriation at a later date is allowed however no firm commitment has been secured for this to date.

Given the current of negotiations on of collective bargaining and without a firm budget commitment from the State to fund the first year of contracts, , the University has developed a vote regarding fees for the Board to consider that allows for an adjustment to fees if necessary to support funding needed toward collective bargaining once contracts are ratified.

In addition, continued uncertainty at the Federal level has led to conservative estimates for FY15 with increases only in those areas where clear commitments have been made.



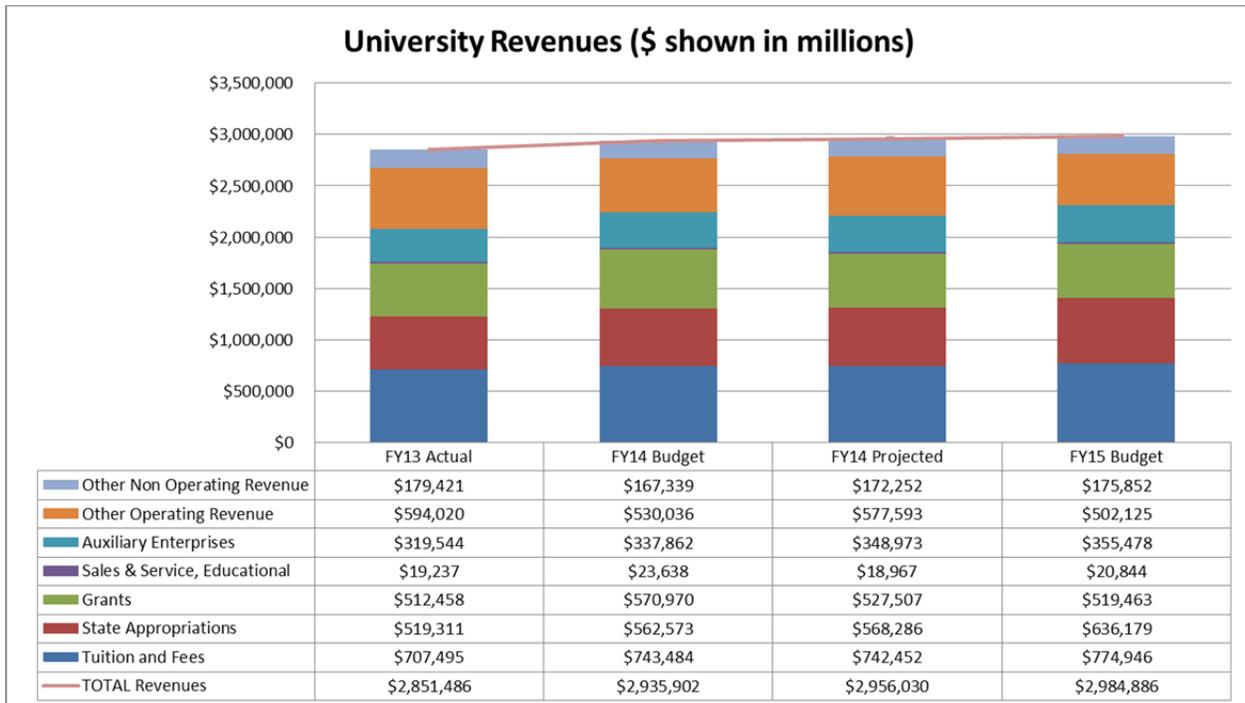
***FY15 Budget Overview***

The annual budget for the University is a plan for the fiscal year that incorporates the unique needs of each of the campuses while maintaining affordability and quality. Despite strong State support for the 50/50 plan, costs continue to rise to support needs such as increased borrowing and employee contracts that must be factored in to the annual budget plan. To offset some of these non-discretionary increases, the University’s E&E efforts have achieved meaningful savings at each of the campuses that can then be used to support other increases within the budget. Even with E&E savings and increases in revenue from several categories across the budget, the University continues to project a negative operating margin. At the campus level, plans have been developed to achieve balance by FY18 to ensure that campuses are continuing to implement strategic planning efforts and monitor progress toward break-even.

<b>(\$ in 000's)</b>	<b>FY13 Actual</b>	<b>FY14 Projected</b>	<b>FY15 Budget</b>
Revenues	\$2,816,263	\$2,933,737	\$2,963,115
Expenditures	\$2,755,201	\$2,963,548	\$3,023,992
Operating Surplus / (Deficit)	\$61,062	(\$29,811)	(\$60,877)
Operating Margin	2.2%	-1.0%	-2.1%

***FY15 Revenue and Expenditures***

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



The University maintains diverse revenue sources to support overall operations including revenues that directly support educational costs and revenues that support research, public service activities and self-supported or auxiliary operations. FY15 budgeted revenues total \$3.0 billion consisting of the following Operating and Non-Operating revenue sources:

- Tuition & Fees** – This category represents all tuition and fees net of financial aid provided to students. Tuition is set by the Department of Higher Education while fees are recommended by each of the campuses and approved by the President and the Board of Trustees. During years of declining State support for the University, fees were increased to continue to support educational needs. For FY14, the State committed to the first year of funding for the 50/50 initiative whereby the State funds 50% of an in state undergraduate student’s cost of education while the student supports the remaining 50%. Because of this investment, the University committed to and implemented a fee freeze for in state undergraduate students. For FY15, the State has supported the second year of implementation for the 50/50 initiative and therefore the University, again, has frozen fees. It is expected that going forward, reasonable State increases coupled with reasonable fee increases will maintain the 50/50 plan and keep fee increases low and more predictable for students. Increases to the tuition and fee category of revenue are also driven by changes in enrollment. The Amherst, Boston and Lowell campuses continue to project enrollment increases. Dartmouth is projecting flat enrollment and the Medical School has a statutory limit on enrollment that will not be exceeded.



- Grants & Contracts – These four categories (Federal, State, Local and Private) are grants provided by these sources in support of a specific purpose that is generally tied to the Research expenses of the University. Over the past few years, campuses have experienced flat revenues or decreases in these categories due to Federal budget cuts and sequestration. The Amherst and Medical School campuses represent 78% of the total revenues in this area and have been the most impacted by the experienced reductions. These revenues support employees and when reduced or eliminated, campuses balanced expenditures by using reserve funds, internal loans from other sources, or layoff staff and eliminate the function.
- Sales & Service, Educational – These are revenues that are related to the conduct of instruction, research, and public service and revenues from activities that exist to provide an instructional and laboratory experience for students that create goods and services that may be sold. This revenue category remains flat for all campuses with the exception of the Medical School due to Commonwealth Medicine is budgeted to normalize from the FY14 level, which was created by a one-time revenue increase.
- Auxiliary Services – These revenues support all revenue generating operations at the campuses including Housing, Dining, Parking, and Continuing Education to name a few. Revenues are generated through fees recommended by the campuses and approved by the President. Each campus develops a budget for these services provided in order to develop reasonable rates. The goal is for all Auxiliary services to be self-supporting operations however in order to keep costs to students low and increases reasonable, some services are subsidized with general revenues. Amherst, Boston and Lowell are projecting increases to this category due to fee increases and utilization. Dartmouth is projection relatively flat collections and the Medical School shows a decrease due to a decline in Commonwealth Medicine revenue that had one-time revenue in FY14.
- Other Operating Revenue – This revenue category included Public Service Activities and consists largely of sales and services provided to third parties by the UMass Medical School campus through its Commonwealth Medicine (“CWM”) programs, which provide public consulting and services in health care financing, administration and policy to federal, state and local agencies and not-for-profit health and policy organizations. In addition to CWM activities, Public Service Activities also includes payments received by the Medical School for educational services it provides to its clinical affiliate UMass Memorial Health Care, Inc. (“UMass Memorial”) as required by the enabling legislation enacted by the Commonwealth in 1997. Finally, Public Service Activity expenditures also include payments made to the Commonwealth of Massachusetts, pursuant to requirements of legislation enacted by the State. The reduction in revenue in this category is from changes at the Medical School primarily as a result in reduced volume in out of State Medicare appeals as well as one-time revenues received in FY14.

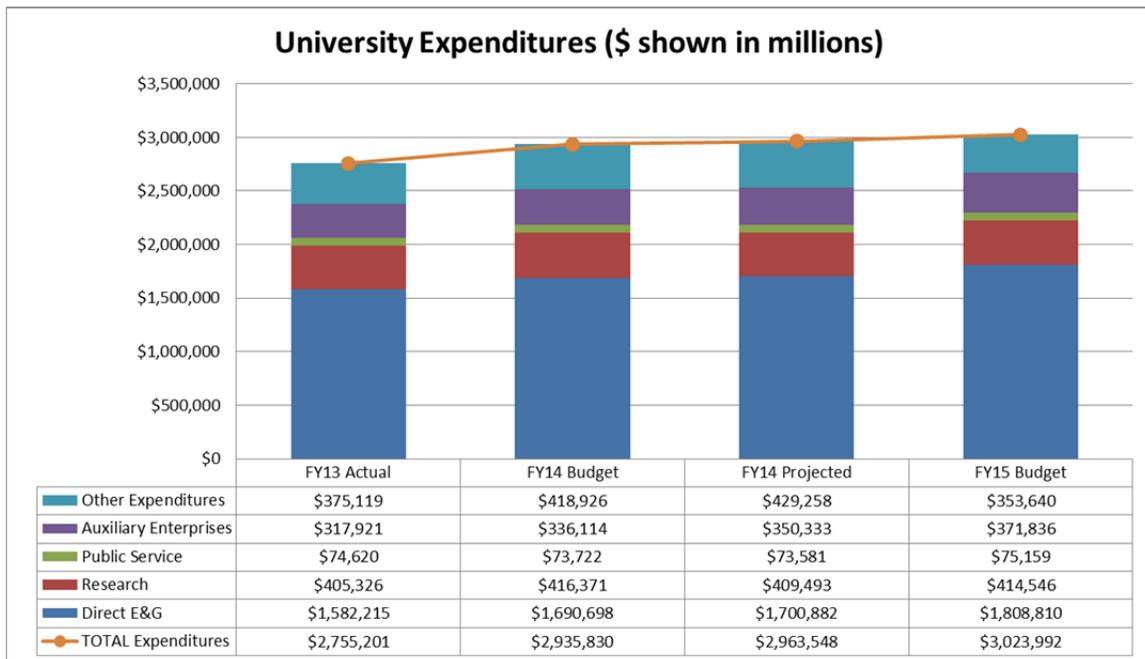


- State Appropriations – This revenue category includes the direct State Appropriation as published in the annual State budget along with fringe benefit support for State funded employees. For FY15, the University includes a direct appropriation of \$519 million. The fringe rate for FY15 has been provisionally set by the State at 27.27%. For those employees funded using the State revenues in this category, the State directly supports their fringe benefits costs.
- Gifts – This revenue consists of public and private gifts used in current operations, excluding gifts for capital acquisition and endowment gifts. The University currently has an aggressive fundraising campaign underway with the Amherst campus leading the way with their 150<sup>th</sup> anniversary celebration.
- Return on Investments & Endowment – These two revenue categories are estimated by the Treasurer’s Office based on a five-year income projection including total projected unrealized gains. Assumptions included are the Operating Cash Return estimated at 0.80% and Quasi Return at 3.91%. Similar to the “Gifts” revenue category, the University currently has an aggressive fundraising campaign underway with the Amherst campus leading the way with their 150<sup>th</sup> anniversary celebration.
- Interest on Indebtedness – This category, shown as negative, includes the cost of bond and note borrowings utilized to finance capital projects. Principal payments are not included in this category nor are they shown on the SRECNP view of the budget. In support of the current capital plan, approximately \$1.8 billion is required from University borrowing through UMBA. To date, approximately \$1.2 billion has been issued and it is expected that the remainder will be borrowed over the next two years. For those campuses requiring additional borrowing to support their capital plan in FY15, an interest rate of 5.5% was built into borrowing assumptions.
- Other Non-Operating Income – This revenue category consists of revenues not directly associated with the primary missions of campuses and not included in another category.

Revenues (in millions)	FY13 Actual	FY14 Projected	FY15 Budget	\$ Change	% Change
Tuition and Fees	\$707,495	\$742,452	\$774,946	\$32,494	4%
State Appropriations	\$519,311	\$568,286	\$636,179	\$67,893	12%
Grants	\$512,458	\$527,507	\$519,463	(\$8,045)	-2%
Sales & Service, Educational	\$19,237	\$18,967	\$20,844	\$1,876	10%
Auxiliary Enterprises	\$319,544	\$348,973	\$355,478	\$6,505	2%
Other Operating Revenue	\$594,020	\$577,593	\$502,125	(\$75,467)	-13%
Other Non Operating Revenue	\$179,421	\$172,252	\$175,852	\$3,600	2%
<b>TOTAL Revenues</b>	<b>\$2,851,486</b>	<b>\$2,956,030</b>	<b>\$2,984,886</b>	<b>\$28,857</b>	<b>1%</b>



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



- **Instruction** – This category includes expenses for all activities that are part of the instruction program such as expenses for credit and non-credit courses, academic, vocational, tutorial instruction and regular, special and extension session. Overall this category grows by 5.2% to support faculty and staff as well as supporting materials. Costs such as collective bargaining and fringe increases impact this category of spending significantly.
- **Research** – This category includes all expenses for activities specifically organized to produce research including individual or project research along with institutes and research centers. For FY15, this category is relatively flat at 1.2%. The Amherst and Worcester campuses account for 75% of these expenses and while the Amherst campus projects slight growth for FY15 much to do with the State’s investment in the new state-of-the-art Life Sciences facility, the Medical School still feels the impacts of federal budget reductions and projects a 6.4% reduction in this category.



- **Public Service** – This category includes expenses for activities established primarily to provide non-instructional services beneficial to individuals and groups including conferences, general advisory services, radio and television and consulting. For FY15, this category increases 2.1%. This category is much smaller than instruction and research on the campuses and not notable programmatic changes are expected for FY15.
- **Academic Support** – This category includes expenses to provide support services for instruction, research and public service such as libraries, media services and information technology, and academic administration. For FY15, these expenses increase approximately 5.1% which is consistent with the increase in Instruction identified above to support staffing costs such as collective bargaining and fringe. Growth in enrollment is also driving additional support needs in this category.
- **Student Services** – This category includes the expenses of the offices of admissions and registrar as well as student activities, career counseling and financial aid services. For FY15, this category grows by 6.3% in support of growing enrollment and the student support services that go along with specifically in the area of international students and study abroad programs which both have expanded enrollment.
- **Institutional Support** – This category includes expenses for central, executive level activities concerned with management and long-range planning such as legal services, fiscal operations, information technology, procurement, and support services to faculty and staff. For FY15, this category increases by 6.9%. Spending in this category is mainly staff which requires the collective bargaining and fringe increases to be accounted for.
- **Operation and Maintenance of Plant** – This category includes the administration, supervision, operation, maintenance, preservation and protection of the campus physical plants. This can include janitorial and utilities, repairs, furniture and equipment, grounds maintenance, security, waste disposal, leases and planning services. For FY15, this category grows by 4.8% driven by the new facilities brought on line with the aggressive capital efforts at each of the campuses.
- **Depreciation** – This category includes all facility depreciation expenses in accordance with the University's capitalization and depreciation policies. For FY15, this expense grows by 10.9% due to the new facilities brought on line that much be accounted for in the campus depreciation schedules.
- **Scholarships and Fellowships** – The category includes grants-in-aid, trainee stipends, and tuition and fee waivers. This should not be confused with tuition and fee discounts and allowances (financial aid) that is recorded as a discount to revenues. For FY15, this category increases 6.5% mainly to support enrollment increases and the additional scholarship and fellowship opportunities needed to accommodate more students.



- **Auxiliary** – These expenses support activities that exist to provide goods or services to students, faculty or staff that charges a fee directly related to the cost of goods and services provided. Although meant to be self-supporting, in a given year the operation of Auxiliary services may experience a surplus or deficit. Examples of these services include residence hall, food services and parking. For FY15, this category increases 4.7% to accommodate contracted services and increases housing and dining needs to do increased beds and enrollment.
- **Other Expenses** – This category includes expenses that are independent from but may enhance the primary mission of the University such as commercial enterprises. For the University, this includes sales and services provided to third parties by the UMass Medical School campus through its Commonwealth Medicine (“CWM”) programs, which provide public consulting and services in health care financing, administration and policy to federal, state and local agencies and not-for-profit health and policy organizations. For FY15, expenses in this category are decreasing by 21%, driven by decreases at the Medical School specifically Commonwealth Medicine where a decline in revenue directly related to expenses has been experienced as a result of reduced volume in out of state Medicare appeals and one-time revenue that was received in FY14.

<b>Expenditures (\$ in 000's)</b>	<b>FY13 Actual</b>	<b>FY14 Budget</b>	<b>FY14 Projected</b>	<b>FY15 Budget</b>
Direct E&G	\$1,582,215	\$1,690,698	\$1,700,882	\$1,808,810
Research	\$405,326	\$416,371	\$409,493	\$414,546
Public Service	\$74,620	\$73,722	\$73,581	\$75,159
Auxiliary Enterprises	\$317,921	\$336,114	\$350,333	\$371,836
Other Expenditures	\$375,119	\$418,926	\$429,258	\$353,640
<b>TOTAL Expenditures</b>	<b>\$2,755,201</b>	<b>\$2,935,830</b>	<b>\$2,963,548</b>	<b>\$3,023,992</b>

***Staffing Overview***

The University employs 14,039 FTEs which includes full and part-time faculty, professional and clerical and maintenance support staff, of which 70% are covered by collective bargaining units including faculty, professional staff, clerical and maintenance support staff and police officers. In total, the University currently has 41 collective bargaining units (including three post-doctoral employee units, three graduate employee units and one undergraduate resident assistants unit). The University has executed collective bargaining agreements that cover the period from July 2012 through July 2014 with most of its employee unions. Currently, negotiations are underway for the contract period beginning July 1<sup>st</sup>.

For FY15, FTEs are increasing by 109 FTEs to support growth in enrollment and the campus capital plans that require support for housing programs and maintenance needs.



### ***Enrollment Overview***

Except for the Medical School, which admits only Massachusetts residents (as required by Chapter 164 of the Massachusetts Acts of 1988, Section 88), admission to the University is open to residents and non-residents of the Commonwealth on a competitive basis.

For FY15, University enrollment increases by 1.8% to 62,456 FTEs. While the Amherst, Dartmouth and Medical School enrollment remain relatively flat, Boston and Lowell are projecting increases. In Boston, efforts are being made expand while also increasing student diversity and strengthening the quality of the student body. The Lowell campus is expanding out-of-state and international enrollments, Master's and on-line enrollments and most significantly, it is expanding its overall "market share" of Massachusetts' undergraduate students while increasing student quality.

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

#### Attachments:

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



*FY15 University Operating Budget  
June 18, 2014*

University of Massachusetts Combining Statement of Revenues, Expenses, and Changes in Net Position (in thousands of dollars)							
UNIVERSITY						FY15 Bud. v FY14 Proj.	
REVENUES	2011 Actuals	2012 Actuals	2013 Actuals	2014 Projected	2015 Budget	\$ Change	% Change
<b>Operating Revenues</b>							
Tuition and Fees	\$597,200	\$659,180	\$707,495	\$742,452	\$774,946	\$32,494	4.4%
Federal Grants and Contracts	371,426	355,792	334,697	361,146	352,180	(8,966)	-2.5%
State Grants and Contracts	62,597	67,927	68,794	66,379	62,623	(3,755)	-5.7%
Local Grants and Contracts	1,937	3,077	2,253	2,125	2,439	314	14.8%
Private Grants and Contracts	107,767	109,235	106,714	97,858	102,221	4,363	4.5%
Sales & Service, Educational	18,011	19,311	19,237	18,967	20,844	1,876	9.9%
Auxiliary Enterprises	272,020	297,956	319,544	348,973	355,478	6,505	1.9%
Allocation from Campuses	-	-	-	-	-	-	0.0%
Other Operating Revenues:	-	-	-	-	-	-	0.0%
Sales & Service, Independent Operations	52,619	61,087	46,062	43,426	57,554	14,128	32.5%
Sales & Service, Public Service Activities	670,557	383,855	447,119	428,371	345,608	(82,763)	-19.3%
Other	74,979	98,107	100,839	105,796	98,963	(6,832)	-6.5%
<b>Total Operating Revenues</b>	<b>2,229,113</b>	<b>2,055,527</b>	<b>2,152,754</b>	<b>2,215,492</b>	<b>2,172,856</b>	<b>(42,636)</b>	<b>-1.9%</b>
<b>EXPENSES</b>							
<b>Operating Expenses</b>							
<i>Educational and General</i>							
Instruction	596,341	633,481	661,467	704,143	741,010	36,866	5.2%
Research	419,990	417,124	405,326	409,493	414,546	5,053	1.2%
Public Service	66,548	75,665	74,620	73,581	75,159	1,579	2.1%
Academic Support	133,253	147,767	147,031	152,321	160,129	7,808	5.1%
Student Services	98,361	107,246	109,737	115,661	122,980	7,318	6.3%
Institutional Support	184,505	198,941	202,331	227,659	243,422	15,763	6.9%
Operation and Maintenance of Plant	202,950	215,292	204,449	219,762	230,369	10,607	4.8%
Depreciation and Amortization	159,854	163,166	185,261	205,501	227,862	22,361	10.9%
Scholarships and Fellowships	41,238	47,626	49,731	53,509	56,971	3,462	6.5%
<i>Auxiliary Enterprises</i>	216,852	235,633	248,765	274,391	287,193	12,802	4.7%
<i>Other Expenditures</i>	-	-	-	-	-	-	0.0%
Independent Operations	41,911	53,734	47,826	67,573	67,136	(437)	-0.6%
Public Service Activities	626,981	293,951	327,293	361,685	286,504	(75,181)	-20.8%
<b>Total Operating Expenses</b>	<b>2,788,784</b>	<b>2,589,626</b>	<b>2,663,837</b>	<b>2,865,280</b>	<b>2,913,281</b>	<b>48,001</b>	<b>1.7%</b>
<b>Operating Income/(Loss)</b>	<b>(559,671)</b>	<b>(534,099)</b>	<b>(511,083)</b>	<b>(649,788)</b>	<b>(740,426)</b>	<b>(90,638)</b>	<b>13.9%</b>
<b>NONOPERATING REVENUES/(EXPENSES)</b>							
Federal Appropriations	5,826	6,845	6,774	6,783	6,983	200	2.9%
State Appropriations	505,799	517,392	519,311	568,286	636,179	67,893	11.9%
State Appropriations - Federal Stimulus Funds	37,897	10	-	-	-	-	0.0%
Gifts	26,504	22,143	30,044	31,674	33,140	1,467	4.6%
Investment Return	77,773	27,192	56,037	42,237	40,253	(1,984)	-4.7%
Endowment Return	10,207	15,623	13,614	16,681	19,155	2,474	14.8%
Interest on Indebtedness	(64,124)	(64,434)	(91,364)	(98,268)	(110,711)	(12,443)	12.7%
Nonoperating Federal Grants	70,643	73,908	70,586	73,732	75,198	1,466	2.0%
Other Nonoperating Income	5,225	780	2,366	1,144	1,122	(22)	-1.9%
<b>Net Nonoperating Revenues</b>	<b>675,750</b>	<b>599,459</b>	<b>607,368</b>	<b>642,270</b>	<b>701,320</b>	<b>59,050</b>	<b>9.2%</b>
Income/(Loss) Before Other Revenues, Expenses, Gains, and Losses	116,079	65,360	96,285	(7,518)	(39,105)	(31,588)	420.2%
<b>OTHER REVENUES, EXPENSES, GAINS, AND LOSSES</b>							
Capital Appropriations	28,109	150,367	112,581	192,381	148,133	(44,247)	-23.0%
Capital Grants and Contracts	30,354	43,891	39,347	26,208	23,051	(3,157)	-12.0%
Additions to Permanent Endowments	-	-	-	-	-	-	0.0%
Net Amounts Earned/Received on Behalf of Others	-	-	-	-	-	-	0.0%
Contributions for Capital Expenditures	4,361	(345)	4,514	-	-	-	0.0%
University Related Organization Transactions	-	-	-	-	-	-	0.0%
Disposal of Plant Facilities	(10,682)	(13,606)	(8,802)	(8,819)	(9,152)	(333)	3.8%
Other Additions/Deductions	4,016	2,317	2,939	8,349	10,368	2,019	24.2%
<b>Total Other Revenues, Expenses, Gains, and Losses</b>	<b>56,158</b>	<b>182,624</b>	<b>150,579</b>	<b>218,119</b>	<b>172,401</b>	<b>(45,718)</b>	<b>-21.0%</b>
<b>Total Increase/(Decrease) in Net Assets</b>	<b>172,237</b>	<b>247,984</b>	<b>246,864</b>	<b>210,601</b>	<b>133,295</b>	<b>(77,306)</b>	<b>-36.7%</b>
<b>NET ASSETS</b>							
Net Assets at Beginning of Year	1,969,153	2,141,392	2,389,376	2,636,240	2,846,841	210,601	8.0%
<b>Net Position at End of Year</b>	<b>2,141,390</b>	<b>2,389,376</b>	<b>2,636,240</b>	<b>2,846,841</b>	<b>2,980,136</b>	<b>133,295</b>	<b>4.7%</b>



**Table 2**  
**University of Massachusetts**  
**Fiscal Year 2015 Operating Budget Statement**  
**SPENDING BY TYPE OF EXPENSE (NATURAL CLASSIFICATION)**  
*(in thousands of dollars)*

EXPENSE CATEGORY	FY11 Actuals	FY12 Actuals	FY13 Actuals	FY14 Projected	FY15 Budgeted	\$ Change FY14 - 15	% Change FY14 - 15
Salaries and Wages	\$1,166,989	\$1,210,184	\$1,267,608	\$1,308,774	\$1,328,812	\$20,038	1.5%
Employee Fringe Benefits	\$298,610	\$317,600	\$279,281	\$297,086	\$308,176	\$11,090	3.7%
Student Aid	\$87,164	\$99,854	\$99,196	\$108,614	\$112,183	\$3,569	3.3%
Utilities	\$96,621	\$92,249	\$91,709	\$97,496	\$96,483	(\$1,013)	-1.0%
Supplies and Other Services	\$980,413	\$707,155	\$741,624	\$848,464	\$840,421	(\$8,043)	-0.9%
Depreciation	\$158,987	\$162,584	\$184,420	\$204,846	\$227,206	\$22,361	10.9%
<b>SUBTOTAL</b>	<b>\$2,788,784</b>	<b>\$2,589,626</b>	<b>\$2,663,837</b>	<b>\$2,865,280</b>	<b>\$2,913,281</b>	<b>\$48,001</b>	<b>1.7%</b>

**Table 3**  
**University of Massachusetts**  
**Fiscal Year 2015 Operating Budget Statement**  
**SUMMARY OF FULL-TIME EQUIVALENT (FTE) EMPLOYEES**

	Actual Fall 2010 (FY2011)	Actual Fall 2011 (FY2012)	Actual Fall 2012 (FY2013)	Actual Fall 2013 (FY2014)	Projected Fall 2014 (FY2015)	FTE Change	% Change
<b>UNRESTRICTED/DESIGNATED FUNDS</b>							
Faculty	3,259.2	3,340.2	3,466.0	3,485.0	3,574.1	89.1	2.6%
Professional Staff	4,668.8	4,735.0	4,945.6	4,997.4	5,016.4	18.9	0.4%
Classified Staff	4,077.8	3,988.8	3,950.8	3,680.0	3,691.4	11.4	0.3%
	12,005.8	12,064.0	12,362.4	12,162.5	12,281.8	119.3	1.0%
<b>RESTRICTED FUNDS</b>							
Faculty	330.3	330.2	307.1	291.0	298.2	7.3	2.5%
Professional Staff	1,464.3	1,436.4	1,368.5	1,210.3	1,208.7	(1.6)	-0.1%
Classified Staff	285.8	269.7	277.4	266.4	250.0	(16.4)	-6.2%
	2,080.4	2,036.3	1,953.0	1,767.7	1,757.0	(10.7)	-0.6%
<b>TOTAL UNRESTRICTED AND RESTRICTED</b>	<b>14,086.2</b>	<b>14,100.3</b>	<b>14,315.4</b>	<b>13,930.1</b>	<b>14,038.8</b>	<b>108.7</b>	<b>0.8%</b>



**Table 4  
 University of Massachusetts**

**Fiscal Year 2015 Operating Budget Statement  
 HEADCOUNT AND FTE ENROLLMENT**

	UNDERGRADUATE		GRADUATE		TOTAL		% Change	
	HC	FTE	HC	FTE	HC	FTE	HC	FTE
Fall 2014 Projected	55,542	49,512	18,048	12,944	73,590	62,456	2.3%	1.8%
Fall 2013 Actual	54,671	48,892	17,270	12,443	71,941	61,335	1.6%	1.7%
Fall 2012	53,901	48,135	16,873	12,202	70,774	60,337	1.6%	1.4%
Fall 2011	52,987	47,432	16,683	12,048	69,670	59,480	2.0%	1.6%
Fall 2010	51,966	46,648	16,349	11,916	68,315	58,564		



# AMHERST CAMPUS

***FY15 Amherst Campus Budget Overview***

The University of Massachusetts Amherst submits for approval a Fiscal Year 2015 operating budget totaling \$1.087 billion. Key elements of the FY15 budget include:

- State appropriation increase of \$25.9 Million to fund collective bargaining and provide for the second year of the 50/50 funding plan
- A freeze on in-state mandatory tuition and fees, a 3% increase on out of state undergraduate mandatory tuition and fees and a 5% increase in room and board
- Increase in out-of-state student enrollment of approximately 200 students while maintaining a stable level of in-state students
- Continued increases in Continuing Professional Education (CPE) program revenues providing key non-state support to the core academic areas
- Significant increases in depreciation, interest and operations and maintenance expenses as major capital projects come on-line including the New Integrative Learning Center, the Champions Center, McGuirk Stadium and the renovated Lincoln campus center concourse
- Modest research growth supplemented by the Mass Life Sciences Center capital grant of \$25 Million for fit-out of the Life Sciences Laboratory and Institute for Applied Life Sciences research equipment

The funding of general unrestricted operating expenditures remains dependent on state appropriations and undergraduate tuition/fee growth with modest growth in other revenues. Planned out-of-state enrollment growth in FY15 will continue to help fund instruction in the academic divisions and meet increasing operating costs. But the growth in overall enrollment puts demands on capacity of faculty, facilities and student support. The campus remains committed to ensuring high quality in the delivery of research and education through:

- Increased funding for 20 new tenure track faculty hires
- Continued commitment to operate and maintain facilities through the 3.5% increase in funding of physical plant and other building support services
- Continued commitment to address deferred maintenance by investing more than \$200 Million in new and renovated facilities
- Strategic initiatives emanating from the Joint Task Force on Strategic Outcomes such as increased support for information technology initiatives, career services, student psychological and counseling services, and graduate fellowships
- President's Enhancement Funds (PEF) totaling \$10 Million to support:
  - STEM graduate student and postdoc pipeline for research and development careers
  - Start-up costs of new tenure-stream hires in STEM fields
  - Conversion costs of large lecture classes into Team Based Learning sections
  - Initiation of a STEM graduate development program for under-represented minorities

***Campus Strategic Plan***

The aggressive capital investment has reduced the deferred maintenance backlog by \$300 Million since FY12 to an estimated \$1.4 Billion at the end of FY15. But future debt service

obligations and on-going capital operating costs will strain the ability of the campus to invest in student success measures outlined in the strategic plan. The campus issued the first phase document, called "Innovation and Impact: Renewing the Promise of the Public Research University," which sets a broad agenda for campus planning available at <http://www.umass.edu/provost/sites/umass.edu.provost/files/uploads/JTFSO%20Phase%20I%20Report.pdf>.

The Strategic plan identifies three overarching themes: 1) establish the campus as a “destination of choice” for the best and brightest students; 2) establish the campus as an “investment of choice” with a broad range of stakeholders vital to the campus; 3) mobilize resources to achieve these goals. The campus is currently engaged in implementing specific action plans emanating from these themes. Major developmental planning efforts now underway include:

- Defining the distinctive character of a UMass Amherst undergraduate education.
- Developing a unified strategy for student success.
- Identification of an initial set of research themes which align our research strengths with state and national priorities.
- Expanding support for curricular innovation.
- A review of our budgeting model to ascertain a more optimal use of existing resources and to provide incentives to expand resources.
- Working with the Chancellor’s Diversity Advisory Council to highlight opportunities in all these areas to promote diversity, inclusion and access.

Funding for these initiatives are planned in the FY15 budget as documented above. Support from the 50/50 plan is critical to enable the campus to achieve the goals set forth in the strategic plan. Through on-going efforts to control costs and maximize revenues, the Amherst campus will continue to mobilize the resources required in FY15 to achieve the strategic priorities critical to our success.

### ***FY15 Revenue and Expenditures***

In FY15 the campus continues to support the academic enterprise by increasing growth in net revenues from graduate students, increasing summer and CPE revenue, attracting more donor support and increasing out-of-state enrollment. All of these initiatives, along with better retention of students, provide alternative revenue streams allowing the campus to reduce the need for student fee increases.

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

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

- Implementation of the BuyWays Contract Director database for allowing for more efficient processing and retrieval of contract pricing and terms
- Physical plant continues to maximize commodity contract pricing for natural gas, liquefied gas and oil to operate the campus power structure resulting in approximately \$1.3 Million in savings
- The campus continues to participate in the ISO-New England and Alternative Portfolio Standards utility management programs which provide almost \$3 Million in annual funding for energy-saving projects and renovations
- The campus participated in the UMass Cell Phone Mobile optimization project which saves each user approximately \$22 per month totaling over \$150,000 per year
- The university awarded a contract to OfficeMax for office supplies, paper and toner saving the campus over \$400,000 annually
- The campus contracted with Verizon Wireless to install a Distributed Antenna System (DAS) system to provide better wireless coverage. The contract provides the campus with approximately \$100,000 per year in revenue from usage fees

Continued E&E savings are critical to offset the increased costs of campus investment in infrastructure. The campus issued \$190 Million in long-term debt during the past two fiscal years in support of the capital plan. An additional \$160 Million is budgeted to be issued in FY15 and another \$150 Million to fully fund the capital plan in FY16-19.

### ***Conclusion***

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

- The Massachusetts Life Sciences Center award to UMass Amherst for \$95 million to partner with life sciences companies in developing new products and services. The investment is designed to extend the fast-growing sector to western Massachusetts. Faculty in three new research centers will be housed in the new \$160 million Life Science Laboratories complex.
- Increased numbers and quality of in-coming freshman students. Applications doubled during the past decade and more than 36,000 students applied for 4,600 seats in the fall 2013 freshman class. Academic quality stands at an all-time high with combined SATs at 1208 and high school GPAs at 3.73.
- The new Commonwealth Honors College Residential Community opened in FY14 as one of the nation's premier residential honors colleges. The facility represents a \$188 million, six-building complex featuring 1,500 beds, nine classrooms and faculty residences as well as space for gathering, advising and administration. This new complex has helped recruit the best and the brightest students with SATs at 1357 and GPAs at 4.21.
- Opening of the new Integrative Learning Center (ILC) next fall. The ILC is a 173,000 square foot state-of-the-art academic center housing 2,000 new seats including team based learning classrooms.

- A successful UMASS Rising \$300 million capital campaign that has raised over \$240 Million towards strategic initiatives.

These successes require continued revitalization of the campus infrastructure, academic pedagogy, and research enterprise—all of which are outlined in the campus strategic plan. These goals also require significant financial investments from both the state, through the 50/50 plan and continued capital funding, and the campus, through E&E savings, increased revenues and strategic allocation of limited resources. The FY15 operating budget reflects the commitment to continued success as the flagship campus of the Commonwealth.

Attachments:

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



*FY15 University Operating Budget – Amherst Campus  
June 18, 2014*

University of Massachusetts							
Combining Statement of Revenues, Expenses, and Changes in Net Position							
(in thousands of dollars)							
Amherst							
						FY15 Bud. v FY14 Proj.	
	2011 Actuals	2012 Actuals	2013 Actuals	2014 Projected	2015 Budget	\$ Change	% Change
<b>REVENUES</b>							
<b>Operating Revenues</b>							
Tuition and Fees	\$273,883	\$301,888	\$323,331	\$336,736	\$342,717	5,981	1.8%
Federal Grants and Contracts	103,748	103,168	97,930	95,870	100,064	4,194	4.4%
State Grants and Contracts	13,547	13,580	12,734	15,816	14,161	(1,654)	-10.5%
Local Grants and Contracts	377	530	316	316	316	-	0.0%
Private Grants and Contracts	27,773	31,164	30,547	31,038	31,954	916	2.9%
Sales & Service, Educational	6,971	7,339	8,615	8,486	8,534	48	0.6%
Auxiliary Enterprises	160,494	177,650	195,577	214,968	226,170	11,202	5.2%
Allocation from Campuses						-	0.0%
Other Operating Revenues:						-	0.0%
Sales & Service, Independent Operations						-	0.0%
Sales & Service, Public Service Activities						-	0.0%
Other	13,310	15,713	19,225	17,264	17,221	(42)	-0.2%
<b>Total Operating Revenues</b>	<b>600,103</b>	<b>651,032</b>	<b>688,275</b>	<b>720,492</b>	<b>741,137</b>	<b>20,644</b>	<b>2.9%</b>
<b>EXPENSES</b>							
<b>Operating Expenses</b>							
<b>Educational and General</b>							
Instruction	266,419	283,236	294,707	315,786	334,957	19,170	6.1%
Research	104,345	108,227	103,727	107,197	114,276	7,079	6.6%
Public Service	23,677	27,357	24,882	23,064	23,783	719	3.1%
Academic Support	50,340	56,433	56,305	58,396	62,946	4,550	7.8%
Student Services	46,496	48,304	49,763	50,015	53,065	3,050	6.1%
Institutional Support	55,249	55,203	59,033	62,090	66,129	4,039	6.5%
Operation and Maintenance of Plant	83,781	80,231	77,610	82,626	87,644	5,018	6.1%
Depreciation and Amortization	65,379	68,995	71,594	82,928	91,046	8,119	9.8%
Scholarships and Fellowships	15,800	19,146	22,115	23,858	24,956	1,099	4.6%
Auxiliary Enterprises	135,373	148,153	164,212	180,849	192,440	11,592	6.4%
Other Expenditures						-	0.0%
Independent Operations						-	0.0%
Public Service Activities						-	0.0%
<b>Total Operating Expenses</b>	<b>846,859</b>	<b>895,285</b>	<b>923,948</b>	<b>986,809</b>	<b>1,051,242</b>	<b>64,433</b>	<b>6.5%</b>
<b>Operating Income/(Loss)</b>	<b>(246,756)</b>	<b>(244,253)</b>	<b>(235,673)</b>	<b>(266,317)</b>	<b>(310,106)</b>	<b>(43,789)</b>	<b>16.4%</b>
<b>NONOPERATING REVENUES/(EXPENSES)</b>							
Federal Appropriations	5,826	6,845	6,774	6,783	6,983	200	2.9%
State Appropriations	235,698	239,383	241,423	272,871	302,937	30,066	11.0%
State Appropriations - Federal Stimulus Funds	18,759	3	0	0	0	-	0.0%
Gifts	11,620	13,750	13,950	14,834	15,496	663	4.5%
Investment Return	25,911	8,591	19,471	13,026	10,882	(2,144)	-16.5%
Endowment Return	4,678	7,960	6,258	8,249	9,800	1,552	18.8%
Interest on Indebtedness	(20,371)	(19,562)	(25,427)	(30,758)	(35,809)	(5,051)	16.4%
Nonoperating Federal Grants	25,359	25,069	23,867	24,534	25,083	548	2.2%
Other Nonoperating Income	2,364	(357)	(78)	(78)	(78)	-	0.0%
<b>Net Nonoperating Revenues</b>	<b>309,844</b>	<b>281,682</b>	<b>286,238</b>	<b>309,462</b>	<b>335,294</b>	<b>25,833</b>	<b>8.3%</b>
Income/(Loss) Before Other Revenues, Expenses, Gains, and Losses	63,088	37,429	50,565	43,145	25,189	(17,956)	-41.6%
<b>OTHER REVENUES, EXPENSES, GAINS, AND LOSSES</b>							
Capital Appropriations	8,444	62,480	52,934	44,960	46,333	1,373	3.1%
Capital Grants and Contracts	314	5,389	3,226	13,592	8,651	(4,941)	-36.3%
Additions to Permanent Endowments						-	0.0%
Net Amounts Earned/Received on Behalf of Others						-	0.0%
Contributions for Capital Expenditures						-	0.0%
University Related Organization Transactions						-	0.0%
Disposal of Plant Facilities	(4,434)	(4,667)	(3,978)	(4,178)	(4,881)	(703)	16.8%
Other Additions/Deductions	488	(657)	(2,718)	(657)	7,418	8,075	-1229.1%
<b>Total Other Revenues, Expenses, Gains, and Losses</b>	<b>4,812</b>	<b>62,545</b>	<b>49,464</b>	<b>53,717</b>	<b>57,522</b>	<b>3,804</b>	<b>7.1%</b>
<b>Total Increase/(Decrease) in Net Assets</b>	<b>67,900</b>	<b>99,974</b>	<b>100,029</b>	<b>96,862</b>	<b>82,710</b>	<b>(14,152)</b>	<b>-14.6%</b>
<b>NET ASSETS</b>							
Net Assets at Beginning of Year	815,916	883,817	983,791	1,083,820	1,180,682	96,862	8.9%
Net Position at End of Year	883,816	983,791	1,083,820	1,180,682	1,263,392	82,710	7.0%

**Table 2**  
**University of Massachusetts**  
**Amherst Campus**  
**Fiscal Year 2015 Operating Budget Statement**  
**SPENDING BY TYPE OF EXPENSE (NATURAL CLASSIFICATION)**  
*(in thousands of dollars)*

EXPENSE CATEGORY	FY11 Actuals	FY12 Actuals	FY13 Actuals	FY14 Projected	FY15 Budgeted	\$ Change FY14 - 15	% Change FY14 - 15
Salaries and Wages	\$414,160	\$439,334	\$462,451	\$479,000	\$503,475	\$24,475	5.1%
Employee Fringe Benefits	\$109,442	\$117,375	\$107,086	\$104,200	\$113,600	\$9,400	9.0%
Student Aid	\$54,967	\$60,469	\$61,104	\$67,759	\$69,102	\$1,343	2.0%
Utilities	\$32,482	\$33,172	\$29,782	\$32,664	\$31,636	(\$1,028)	-3.1%
Supplies and Other Services	\$170,429	\$175,941	\$191,930	\$220,258	\$242,383	\$22,125	10.0%
Depreciation	\$65,379	\$68,995	\$71,594	\$82,928	\$91,046	\$8,119	9.8%
<b>TOTAL</b>	<b>\$846,859</b>	<b>\$895,286</b>	<b>\$923,948</b>	<b>\$986,809</b>	<b>\$1,051,242</b>	<b>\$64,434</b>	<b>6.5%</b>

**Table 3**  
**University of Massachusetts**  
**AMHERST CAMPUS**  
**Fiscal Year 2015 Operating Budget Statement**  
**SUMMARY OF FULL-TIME EQUIVALENT (FTE) EMPLOYEES**

	Actual Fall 2010 (FY2011)	Actual Fall 2011 (FY2012)	Actual Fall 2012 (FY2013)	Actual Fall 2013 (FY2014)	Projected Fall 2014 (FY2015)	FTE Change	% Change
<b>UNRESTRICTED/DESIGNATED FUNDS</b>							
Faculty	1,316.0	1,346.0	1,377.6	1,403.1	1,451.1	48.0	3.4%
Professional Staff	1,376.9	1,426.0	1,393.1	1,472.0	1,484.0	12.0	0.8%
Classified Staff	1,968.4	1,978.8	1,979.2	1,980.8	1,993.8	13.0	0.7%
	4,661.3	4,750.8	4,749.9	4,855.9	4,928.9	73.0	1.5%
<b>RESTRICTED FUNDS</b>							
Faculty	31.3	32.5	30.0	29.2	29.2	0.0	0.0%
Professional Staff	342.4	307.2	312.2	244.6	244.6	0.0	0.0%
Classified Staff	74.2	68.5	66.9	69.6	69.6	0.0	0.0%
	447.9	408.2	409.1	343.4	343.4	0.0	0.0%
<b>TOTAL UNRESTRICTED AND RI</b>	<b>5,109.2</b>	<b>5,159.0</b>	<b>5,159.0</b>	<b>5,199.3</b>	<b>5,272.3</b>	<b>73.0</b>	<b>1.4%</b>



**Table 4**  
**University of Massachusetts**  
**AMHERST CAMPUS**  
**Fiscal Year 2015 Operating Budget Statement**  
**HEADCOUNT AND FTE ENROLLMENT**

	UNDERGRADUATE		GRADUATE		TOTAL		% Change	
	HC	FTE	HC	FTE	HC	FTE	HC	FTE
Fall 2014 Projected	22,208	22,285	6,411	4,805	28,619	27,090	0.4%	0.3%
Fall 2013 Actual	22,134	22,219	6,384	4,789	28,518	27,008	1.0%	1.0%
Fall 2012	21,928	21,954	6,308	4,793	28,236	26,747	0.5%	0.4%
Fall 2011	21,812	21,861	6,272	4,775	28,084	26,636	1.9%	1.2%
Fall 2010	21,373	21,552	6,196	4,776	27,569	26,328		

\*Source: Fall 2010, Fall 2011, and Fall 2012 figures from Student Profile



# BOSTON CAMPUS



### ***FY15 Boston Campus Budget Overview***

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

UMass Boston submits for approval a fiscal year (“FY”) 2015 operating budget of \$375.6 million. Key elements of the FY15 budget include:

- Enrollment of 16,833, 3% higher than last fall
- Net tuition and fee revenue of \$170.6 million, an increase of \$11.7 million and 7.3% over last year
- No increase in MA resident undergraduate fees, a 6.0% increase in graduate fees, and more moderate increases (averaging 3%) in other fees. The no-fee increase will be adjusted, if needed, to reflect the final FY15 budget of the Commonwealth
- Growth in state support, consistent with moving toward 50/50 state support for MA resident undergraduates
- Continued investment in the campus master plan, with the opening of the Integrated Science Center in fall 2014; building the new general academic building scheduled to open in fall 2015; and progress on major renovations and maintenance projects throughout the campus
- continued support for efficiency and effectiveness initiatives
- alignment with the external environment and UMass system priorities

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

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

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

The FY15 budget reflects these high ambitions and many years of thoughtful and detailed planning that must support such aspirations. It specifically represents steps we must take to maintain our progress toward the critical overall goals of *Fulfilling the Promise*:



*To advance student success and development* by improving retention and graduation rates, strengthening our faculty, opening residence facilities, and establishing an honors college.

*To enrich and expand academic programs and research* by developing new academic programs, extending our offerings to new markets, and enhancing our research enterprise.

*To improve the learning, teaching, and working environment* with new academic buildings and with programs to nurture and retain the best faculty and staff.

*To establish a financial resources model consistent with our vision statement* through wisely managed enrollment increases that include more out-of-state and international students, through working to secure additional funding, and through strengthening review and reallocation processes.

*To develop an infrastructure supportive of the preceding goals* through processes for dealing with short- and long-term space needs, reviews of administrative systems and organizational structures, a strengthened communication strategy, and a rebuilt technology infrastructure.

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

### ***FY14 Highlights***

UMass Boston expects current year financial performance to be in line with the FY14 budget approved last year. Unexpected costs have been managed and funded within the existing resources.

The \$105 million borrowing in support of the capital plan took advantage of favorable rates; higher interest costs in the FY14 projection and carrying into FY15 reflect more borrowing than planned last year. The FY14 projection includes \$10.1 million for interest on debt, up from \$8.2 million reflected in the initial FY14 budget.

Effective July 1, the trust fund administration (“TFA”) assessment of 9% on spending in many local trust funds was eliminated. The effect of this change is that expenses in functional classifications declined, with a corresponding increase in Institutional Support costs. The TFA assessment was approximately \$6.9 million in FY13. This change had no effect on Total Operating Expenses.



## ***FY15 Revenue and Expenditures***

### ***Revenue Drivers***

#### ***State Support***

The FY15 budget is premised on an increase in the annual state appropriation of \$9.3 million. There are two components of this increase: \$6.9 million supporting the 50-50 agreement in which the state and MA resident students share equally the cost of general education and under the assumption the percentage allocation among campuses will not change and \$2.4 million supporting new collective bargaining agreements.

#### ***Enrollment Growth***

While maintaining the diversity and quality of our student body, UMass Boston expects to enroll increasing numbers of students in FY15 and future years. FY15 is based on an average annual growth rate of 3% with a fall enrollment of 16,833 students. Higher enrollment will be realized through greater number of freshman and transfer students, and also benefits from strategic investments in advising and other “start on track/stay on track” retention activities.

### ***Expense Drivers***

#### ***Employee compensation***

Salaries and fringe benefits comprise over 65% of total annual spending. In FY15, total expense in these areas is forecast at \$242.9 million. The FY15 budget includes \$9.8 million to support new collective bargaining agreements, cost of living, merit and fringe benefit increases.

#### ***Campus Master Plan***

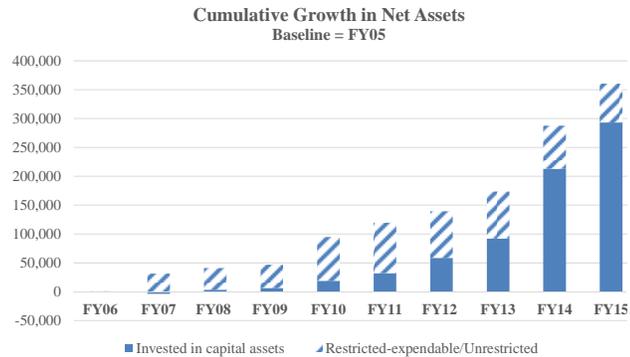
Over the next five years, UMass Boston will continue work on six major capital projects which will transform the campus and are necessary to remedy serious deficiencies from the past and support the teaching and research mission into the future. The projects are Integrated Science Center (“ISC”), General Academic Building #1 (“GAB1”), General Academic Building #2 (“GAB2”), utility corridor and roadway relocation (“UCRR”), renovations to existing academic buildings, and demolition of the Science Center and substructure.

The opening of the ISC in fall 2014 is one of the larger cost drivers in comparing FY15 to prior year expense. ISC-related expense includes facilities staffing; energy, cleaning and other operational activities; and depreciation on the new facility. Depreciation has been modest over the past several years, as the original buildings pass their useful lives. FY15 marks the first of several years of significant growth in depreciation due to new building openings.

The FY15 budget also reflects debt service payments in support of these projects, along with capital appropriations from the Commonwealth.



The planned investment in the physical infrastructure is demonstrated in the accumulation of unrestricted reserves. In FY14 and future years, the use of reserves and capital appropriations from the Commonwealth will be reflected in capital assets supporting the mission of the University.



### Financial Aid

The commitment of UMass Boston to access is reflected in financial aid available to students with financial need. The campus has consistently met the UMass Pledge, meeting approximately 90% of the financial need of MA resident students. Total institutional financial aid in support of this commitment is expected to be \$13.4 million in FY15, equal to about 4% of total expenditures. The budget reflects a modest increase in financial aid corresponding to enrollment growth and with the assumption of no mandatory fee increase for in-state students.

### Operating Margin

Consistent with prior multi-year forecasts, the FY15 budget reflects spending in excess of current year revenue as the University continues investments in both the strategic and capital master plans. The expected operating margin in FY15 is (2.3%). This compares to a (1.9%) operating margin expected in FY14, a balanced budget in FY13, and a positive 2.4% operating margin in FY12.

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

UMass Boston is committed to supporting efficient and effectiveness initiatives lead by the System Office and continually reviewing policies and practices to ensure best practices are deployed whenever possible. With the leadership of Chancellor Motley, as the Board of Trustees liaison for the UMass Purchasing Council, the campus has worked closely with the UMass Purchasing Council to review spend data to identify opportunities for joint, system-wide contracts. The UMass Boston procurement department led the procurements for electricity supply for UMass Boston, UMass Lowell, UMass Dartmouth and UMass Medical, as well as for the procurement of an energy consultant for UMass campuses. The most recent electricity supply bid was issued in June 2013 and resulted in a cost savings of \$1.2 million for the campuses. The selected energy consultant now plays an integral role in energy initiatives on all five campuses and the UMass Strategic Energy and Sustainability Committee. UMass Boston also benefitted from system-wide procurements for office supplies, net excess generation credits, and natural gas. In FY14, the campus streamlined procurement with the use of BuyWays, another UMass System initiative.



Along with other UMass campuses, UMass Boston is completing its own array of energy efficient projects which include installation and upgrades of boilers, chillers, lighting, variable speed motors and photovoltaics. On the UMB campus, there are a number of either projected or ongoing energy conservation measures, as well as utility incentive programs. Energy conservation measures now being installed in the ISC include high efficiency lighting, daylight harvesting, occupancy sensors, lab airflow reducers, variable speed drives and building envelope upgrades. Annual savings and cost avoidance of over \$240,000 are projected, along with incentive payments (NSTAR and National Grid) of over \$290,000. Central Utility Plant upgrades through boiler improvements (installation of new boiler and upgrades to three existing boilers) will also reduce energy consumptions and costs. Two other long term projects, the Utility Corridor and Road Relocation Project and GAB1 are now currently under construction and are under review by NSTAR and National Grid for efficiency opportunities and available incentives.

On campus, the fund consolidation project, in which over 20 trust funds were collapsed into a general operating fund, has supported efforts at greater transparency and enhanced management of department funds, along with reducing the risk of not meeting budget and other financial metrics.

### ***Staffing Overview***

In FY15, employee FTE is projected to be a total of 2,099: 1,078 state-funded, 876 non-state funded and 145.1 restricted funding, amounting to \$247.8 million (with fringe benefits). This includes costs for employees of all types: permanent, temporary, part-time, full time, and on “contract.”

Three factors will drive personnel costs in the upcoming fiscal years:

- Estimated collective bargaining cost increases
- Increases in the faculty ranks
- Slightly higher fringe benefit rate

Consistent with the strategic plan and prior year forecasts, the University continues to increase the number of full-time, tenure track faculty. Tenured-track faculty support growth in enrollment, new and expanding programs, and initiatives to enhance student retention and success. The FY15 budget includes \$2.6 million for 21 new tenure-track faculty positions and the annualization of fall 2013 hires.

The FY15 budget also reflects six new employees (3 professional, 3 classified) in support of the opening and operation of the Integrated Science Complex (ISC).

### ***Enrollment Overview***

The FY15 budget reflects continued growth in both undergraduate and graduate enrollment. Since FY12, enrollment has grown at an average rate of about 2% per year. The FY15



enrollment is projected to increase 3% over FY14, growing to 16,833, of which 12,710 are undergraduate students and 4,123 are graduate students.

While continuing to expand, the University takes pride in expanding the diversity and strengthening the quality of the student body. Diversity in the undergraduate population has grown from 41% to 44%, and the incoming GPA of freshmen is 3.00. First generation students have remained about half, at 56%, and Pell grant recipients are over 30% of the total student population.

The FY15 does not reflect any funds to support building a new residence hall. The delay in moving forward with residence halls is factored into enrollment projections.

Attachments:

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



University of Massachusetts							
Combining Statement of Revenues, Expenses, and Changes in Net Position							
(in thousands of dollars)							
Boston							
	2014					FY15 Bud. v FY14 Proj.	
	2011 Actuals	2012 Actuals	2013 Actuals	Projected	2015 Budget	\$ Change	% Change
<b>REVENUES</b>							
<b>Operating Revenues</b>							
Tuition and Fees	\$125,947	\$139,759	\$153,084	\$158,927	\$170,578	\$11,651	7.3%
Federal Grants and Contracts	29,919	31,893	27,142	25,395	27,273	1,878	7.4%
State Grants and Contracts	8,160	9,520	10,089	9,576	10,276	700	7.3%
Local Grants and Contracts	937	1,589	1,127	1,118	1,201	83	7.4%
Private Grants and Contracts	11,784	11,327	10,832	10,581	10,581	-	0.0%
Sales & Service, Educational	2,937	2,546	3,000	3,141	3,502	361	11.5%
Auxiliary Enterprises	10,017	10,054	9,743	10,271	10,417	146	1.4%
Allocation from Campuses						-	0.0%
Other Operating Revenues:						-	0.0%
Sales & Service, Independent Operations						-	0.0%
Sales & Service, Public Service Activities						-	0.0%
Other	442	781	749	478	500	22	4.6%
<b>Total Operating Revenues</b>	<b>190,143</b>	<b>207,469</b>	<b>215,766</b>	<b>219,487</b>	<b>234,328</b>	<b>14,841</b>	<b>6.8%</b>
<b>EXPENSES</b>							
<b>Operating Expenses</b>							
<b>Educational and General</b>							
Instruction	119,754	127,268	134,004	136,694	140,948	4,254	3.1%
Research	29,827	30,869	30,568	33,472	39,507	6,035	18.0%
Public Service	7,264	11,084	11,125	11,672	12,068	396	3.4%
Academic Support	24,037	27,098	30,356	29,314	30,395	1,080	3.7%
Student Services	20,539	22,444	21,773	21,110	21,985	875	4.1%
Institutional Support	31,120	31,250	32,732	53,232	54,885	1,653	3.1%
Operation and Maintenance of Plant	24,448	25,606	24,026	24,241	27,690	3,449	14.2%
Depreciation and Amortization	13,350	14,032	12,770	13,851	21,373	7,522	54.3%
Scholarships and Fellowships	11,177	11,684	11,832	12,866	13,188	322	2.5%
Auxiliary Enterprises	9,240	10,223	10,565	11,988	13,563	1,575	13.1%
Other Expenditures						-	0.0%
Independent Operations						-	0.0%
Public Service Activities						-	0.0%
<b>Total Operating Expenses</b>	<b>290,756</b>	<b>311,558</b>	<b>319,751</b>	<b>348,442</b>	<b>375,602</b>	<b>27,161</b>	<b>7.8%</b>
<b>Operating Income/(Loss)</b>	<b>(100,613)</b>	<b>(104,089)</b>	<b>(103,985)</b>	<b>(128,955)</b>	<b>(141,274)</b>	<b>(12,319)</b>	<b>9.6%</b>
<b>NONOPERATING REVENUES/(EXPENSES)</b>							
Federal Appropriations							
State Appropriations	87,923	87,749	89,435	102,052	115,209	13,157	12.9%
State Appropriations - Federal Stimulus Funds	6,563	0	0	0	0	-	0.0%
Gifts	2,548	2,346	3,767	2,751	2,844	93	3.4%
Investment Return	10,214	5,570	8,692	7,581	7,581	-	0.0%
Endowment Return	956	2,285	1,718	2,061	2,526	465	22.5%
Interest on Indebtedness	(6,352)	(6,593)	(9,570)	(10,117)	(14,370)	(4,253)	42.0%
Nonoperating Federal Grants	19,348	20,365	20,817	21,381	21,809	428	2.0%
Other Nonoperating Income	273	189	0	150	150	-	0.0%
<b>Net Nonoperating Revenues</b>	<b>121,473</b>	<b>111,911</b>	<b>114,859</b>	<b>125,859</b>	<b>135,748</b>	<b>9,889</b>	<b>7.9%</b>
Income/(Loss) Before Other Revenues, Expenses, Gains, and Losses	20,860	7,822	10,874	(3,096)	(5,526)	(2,430)	78.5%
<b>OTHER REVENUES, EXPENSES, GAINS, AND LOSSES</b>							
Capital Appropriations	5,002	15,616	26,401	117,200	75,700	(41,500)	-35.4%
Capital Grants and Contracts	137	53	0	1,800	3,000	1,200	66.7%
Additions to Permanent Endowments						-	0.0%
Net Amounts Earned/Received on Behalf of Others						-	0.0%
Contributions for Capital Expenditures						-	0.0%
University Related Organization Transactions						-	0.0%
Disposal of Plant Facilities	(1,397)	(1,288)	(1,039)	(1,800)	(1,800)	-	0.0%
Other Additions/Deductions	398	(1,879)	(2,029)	0	0	-	0.0%
<b>Total Other Revenues, Expenses, Gains, and Losses</b>	<b>4,140</b>	<b>12,502</b>	<b>23,333</b>	<b>117,200</b>	<b>76,900</b>	<b>(40,300)</b>	<b>-34.4%</b>
<b>Total Increase/(Decrease) in Net Assets</b>	<b>25,000</b>	<b>20,324</b>	<b>34,207</b>	<b>114,104</b>	<b>71,374</b>	<b>(42,730)</b>	<b>-37.4%</b>
<b>NET ASSETS</b>							
Net Assets at Beginning of Year	223,634	248,634	268,960	303,167	417,271	114,104	37.6%
<b>Net Position at End of Year</b>	<b>248,634</b>	<b>268,958</b>	<b>303,167</b>	<b>417,271</b>	<b>488,645</b>	<b>71,374</b>	<b>17.1%</b>



**Table 2**  
**University of Massachusetts**  
**Boston Campus**  
**Fiscal Year 2015 Operating Budget Statement**  
**SPENDING BY TYPE OF EXPENSE (NATURAL CLASSIFICATION)**  
*(in thousands of dollars)*

	FY11	FY12	FY13	FY14	FY15	\$ Change	% Change
EXPENSE CATEGORY	Actuals	Actuals	Actuals	Projected	Budgeted	FY14 - 15	FY14 - 15
Salaries and Wages	\$154,706	\$164,676	\$173,712	\$185,475	\$196,258	\$10,783	5.8%
Employee Fringe Benefits	\$41,627	\$46,970	\$40,000	\$42,709	\$46,633	\$3,924	9.2%
Student Aid	\$11,177	\$11,684	\$11,832	\$12,881	\$13,203	\$322	2.5%
Utilities	\$8,245	\$6,239	\$6,275	\$6,041	\$6,727	\$686	11.4%
Supplies and Other Services	\$61,651	\$67,957	\$75,162	\$87,748	\$91,671	\$3,923	4.5%
Depreciation	\$13,350	\$14,032	\$12,770	\$13,588	\$21,110	\$7,522	55.4%
<b>TOTAL</b>	<b>\$290,756</b>	<b>\$311,558</b>	<b>\$319,751</b>	<b>\$348,442</b>	<b>\$375,602</b>	<b>\$27,160</b>	<b>7.8%</b>

**Table 3**  
**University of Massachusetts**  
**BOSTON CAMPUS**  
**Fiscal Year 2015 Operating Budget Statement**  
**SUMMARY OF FULL-TIME EQUIVALENT (FTE) EMPLOYEES**

	Actual Fall 2010 (FY2011)	Actual Fall 2011 (FY2012)	Actual Fall 2012 (FY2013)	Actual Fall 2013 (FY2014)	Projected Fall 2014 (FY2015)	FTE Change	% Change
<b>UNRESTRICTED/DESIGNATED FUNDS</b>							
Faculty	788.7	810.6	845.6	870.7	891.7	21.0	2.4%
Professional Staff	636.8	660.3	685.8	706.2	709.2	3.0	0.4%
Classified Staff	351.0	359.9	362.0	350.0	353.0	3.0	0.9%
	1,776.5	1,830.8	1,893.4	1,926.8	1,953.8	27.0	1.4%
<b>RESTRICTED FUNDS</b>							
Faculty	8.8	8.9	10.2	2.8	14.8	12.0	424.0%
Professional Staff	133.5	140.0	143.2	131.2	131.2	0.0	0.0%
Classified Staff	19.7	18.4	19.3	11.0	11.0	0.0	0.0%
	162.0	167.3	172.7	145.1	157.1	12.0	8.3%
<b>TOTAL UNRESTRICTED</b>	<b>1,938.5</b>	<b>1,998.1</b>	<b>2,066.1</b>	<b>2,071.9</b>	<b>2,110.9</b>	<b>39.0</b>	<b>1.9%</b>



**Table 4**  
**University of Massachusetts**  
**BOSTON CAMPUS**  
**Fiscal Year 2015 Operating Budget Statement**  
**HEADCOUNT AND FTE ENROLLMENT**

	UNDERGRADUATE		GRADUATE		TOTAL		% Change	
	HC	FTE	HC	FTE	HC	FTE	HC	FTE
Fall 2014 Projected	12,710	9,913	4,123	2,804	16,833	12,717	3.4%	3.1%
Fall 2013 Actual	12,366	9,688	3,911	2,645	16,277	12,333	2.5%	2.8%
Fall 2012	12,124	9,410	3,750	2,591	15,874	12,001	0.8%	1.8%
Fall 2011	11,866	9,201	3,875	2,590	15,741	11,791	1.9%	3.1%
Fall 2010	11,568	8,845	3,886	2,597	15,454	11,442		

\*Source: Fall 2010, Fall 2011, and Fall 2012 figures from Student Profile

# DARTMOUTH CAMPUS

***FY15 Dartmouth Campus Budget Overview***

The University of Massachusetts Dartmouth submits a Fiscal Year (FY) 2015 Operating Budget of \$241 million for approval. Key elements of the FY15 budget include:

- State appropriation increase of \$6M to offset an in-state tuition/fee freeze resulting from the second year of the 50/50% state funding initiative. This is an 11.2% increase over last year. State-funding. Collective bargaining costs are also assumed in the FY2015 Operating Budget.
- Net tuition and fee revenue of \$71.4 million, built upon revenue assumptions that include a 3% increase in mandatory fees for non-resident undergraduates and all graduate students, while freezing mandatory fees flat for resident undergraduate and all law students.
- University Extension programs continue to deliver strong results through continuing education programs and growth in on-line learning revenues anticipated to be 15%.
- Continued focus on support for efficiency and effective initiatives.
- Investment in the First year of the Transform2020 Strategic plan, development of a master space plan which is congruent to the Transform2020 strategic initiative, with continued investment in the capital master plan.

***Transform2020 Strategic Plan***

Transform2020 plan focuses on providing quality education while harmoniously maintaining financial sustainability. The strategic plan goals place a defined emphasis on research and innovation that will help grow both undergraduate and graduate educational programs, as well as support and spur economic growth. The University is engaged and responsive to the needs of the immediate community and will continue to find dynamic new ways of linking to the community and strengthening the local educational system. Stronger marketing and alumni relations will lay the groundwork for UMass Dartmouth to take its place as a global, national, and local preeminent university; playing a distinct, leading role in providing excellence in education at an affordable price. Transform2020 identifies Student success as a priority. To accomplish this goal, the University will recruit talented and diverse undergraduate and graduate students and provide high-impact support and experiences. UMass Dartmouth will provide competitive graduate scholarships and fellowships, with particular emphasis on incoming doctoral students. Academic advising programs will provide support and tools to faculty and professional advisors that carefully monitor the students' academic progress and degree completion as well as developmental advancement. Tutorial services will be expanded along with peer-tutoring programs. The opportunities for students to participate in experiential learning within the campus community, the region, and across the globe will increase. To encourage student interaction and reduce stress, Living and Learning Community programs will be strengthened. Intramural athletic activities and social interaction-based activities will expand.

***Highlights from Fiscal Year 2014*****• Change in Management**

Fiscal year 2014 was a year of change with infusion of refreshed vision from new management in both the academic and administrative areas of the university. The fiscal year began with the hiring of a new provost bringing infused vigor to academic programming. Shortly into the new

year, The University also hired a VC of Administration and Finance. With these two critical hires, the campus is making controlled changes beginning with improving the budget process with the focus of improving transparency by developing a bottom-up approach to budgeting. Additional key management hires include a Vice Chancellor of Advancement, an Assistant Chancellor for Marketing and, an Interim Vice Chancellor for Research and Development and Interim Associate Vice Chancellor for Enrollment Management. It is anticipated that these three managers will have a significant impact on the University's ability to improve alumni relations, attract and grow alternative sources of revenues and talented student, and improve persistence among our current student population through increased exposure both in personal contacts, higher quality and frequency of events and a greater and more effective presence in media. On the research side, there is an effort to improve effectiveness in reporting and recovery of expenses, increasing grant application and most imminently preparing for the acquisition of the Advanced Manufacturing Building located in Fall River, MA. There is refreshed vision of what this incubator should be and the new leadership built incentives in to the business plan to keep this vision on track. In FY14, Enrollment Management worked to enhance its operations focusing on improving yield. The campus will begin to reap the benefits of the improvements initiated in FY14; however, it is expected that applications, yield and enrollment will be much improved the following year, after a full year of implementation in FY15. For FY15 it is predicted that yield will improve by three percentage points, up from the historic yield rate of 24%; applications are also expected to increase significantly as well with this change in management. Lastly, early indicators suggest that FY15 will see an improvement in retention as well.

- **Completion of Co-generator**

As part of the \$33.9 million guaranteed energy savings agreement with NORESKO and the Commonwealth of Massachusetts Division of Capital Asset Management and Maintenance, a new gas turbine combined heat and power system (CHP) has been installed at the University's Power Plant. The CHP system will produce much of the electricity required by the campus and will do so more cost-effectively than traditional power plants that distribute power long distances over transmission lines. The CHP system recovers and uses energy from waste heat, a byproduct that is typically discarded by power plants, for winter heating and summer cooling. The CHP system went into full operation on 18-April-2014 and is expected to generate significant energy efficiencies in the range of twelve thousand kWh per year.

- **Completion of Campus Athletic Fitness Center**

Completion of a \$5M renovation and revamping of the campus athletic fitness center was a significant achievement in FY14. This renovation doubled the size of the facility from 8,000 square feet to 16,000 square feet. The project was completed in December 2013. This project has been very impactful on student life and the level of success as is evidenced in the increased user-ship passing over 100,000 this year. Since the completion of this project (November, 2013) female membership has increased due to the expanded offerings in the aerobics and spin rooms. With 800 – 1,200 users per day coming through these doors, the fitness center creates a sense of community and belonging, improving student connectivity and student life overall.

- **Completion of MAB**

At the close of FY14, the campus completed the Massachusetts Accelerator for Bio-manufacturing (MAB). The MAB was placed into service in June of 2014, and will open its doors to the biotech market beginning FY15. MAB is a state of the art facility, which is designed to contribute to economic development in the southeastern region of the state and promote the development of education in biotechnology fields. From an industry standpoint, companies are afforded the opportunity to develop, test, and demonstrate their novel processes, products and discoveries at full scale, in an effort to test product manufacturability and efficacy. In addition to being suitable for industry use, MAB is also purposed to develop the current and future workforce by providing an avenue to train scientist, technicians, and students to conduct research and experiments in an actual production environment. Through this access to the facility's large-scale bio-manufacturing suites, MAB will contribute to the high-research impact goal of the Transform2020 strategic plan by promoting education and advancement of bio-manufacturing related sciences and study, in connection with the UMass Dartmouth campus. This is a truly unique facility, the first building of this nature in the state of Massachusetts, and the northeast corner of the country. MAB is a \$31M project jointly funded through a \$20M grant from the Life Sciences Industry Investment Act, and the Dartmouth campus.

- **Acquisition of the Advanced Technology Manufacturing Center (ATMC) Building in Fall River Massachusetts**

Also in FY14, the campus acquired the ATMC building through a grant from the Life Science Industry Investment Act in the amount of \$11.4M. University ownership of the ATMC will offer a new opportunity to establish world-class technology and job creation in the form of an incubator for the South Coast region. With a first-rate facility, support services and aggressive marketing, the ATMC creates robust competition among start-up companies to locate at the facility. The ATMC serves as an entrepreneurial engine by sponsoring an annual business plan competition in collaboration with the Charlton College of Business to identify the best business ideas and then launch those ideas at the ATMC. A high percentage of the companies graduate from the ATMC within 3-5 years and establish a presence and create jobs in the surrounding community. In addition to integration in the community, the ATMC serves as a magnet to develop and retain young technology talent in the region by creating internship, co-op, and employment opportunities for UMass Dartmouth, Bristol Community College, Durfee High School, and Diman Regional Vocational School students. The ATMC contributes the the South Coast portfolio of powerful entrepreneurial assets, including the Massachusetts Accelerator for Biomanufacturing, and South Coast BioPark.

- **Program Development**

From a program development standpoint, new programs have been submitted to the President's Office for undergraduate and graduate programs and will be voted on by the BOT in the June 2014, meeting. These programs include a PhD degree in Chemistry, BS and MS degrees in Data Science, and an MS in Healthcare Management. If approved by the BOT, they will be forwarded to the BHE. In FY15 the campus will submit additional proposals for a MS in Technology Management, and MS in Accounting to the President's Office for consideration by the BOT in the September meeting.

***FY15 Revenue and Expenditures*****Revenues:**

Revenues in FY15 are based on relatively flat enrollment. However, significant changes in management, business processes, and marketing programs were initiated in the second half of FY14 and will continue in FY15. These efforts will result with an improvement in yield in FY15 of 3% raising the level to 27 yield%. The full impact of these changes will be realized in FY16 after a full year's implementation of the modified business process. During FY15, the campus will continue to monitor and adjust business processes; and is dedicated to ensuring full maximization of resources in attracting and retaining students. The proportion of resident to non-resident students at this campus has traditionally been 94% to 6%; and the ratio between women and men hovers around 46%:53%. For the FY15 year, the campus has instituted a new waiver / scholarship to increase enrollment in these categories.

The FY15 operating revenue is derived from our FY15 enrollment projections, rate assessments, and state appropriation and is summarized as follows. In the FY15 operating budget, revenue from tuition and fees is planned at \$71.4M; net of waivers. The Transform2020 mission is commitment to providing an affordable gateway to higher education and promoting diversity. In support of this objective, the campus operating budget includes a provision for \$20M of waivers in order to meet 90% of student financial need. State appropriation for FY15 is anticipated to be \$72M; a significant increase (\$7.0M) over FY14 due to the second year of the 50/50 funding initiative and the provision to fund collective bargaining. The effects of sequestration would have grant revenues below the FY14 levels; however as the Transform2020 strategic plan emphasizes and calls for investment in this area, revenues from this source are kept flat for FY15. Revenues from Auxiliary Services are expected to be \$46M. This is based upon a 3% and 5% increase in housing and dining rates, respectively. The total operating revenues across all sources for FY15 is calculated at \$216.1M

**Expenses:**

The FY15 operating budget provides for the continuation of current programs and investment in Institutional Advancement, research, fortification of student success programs, growth in university extension on-line learning programs and continued support of the Law School. Investment in Institutional Advancement, \$850K, is in the form of hiring additional staff to effect growth in gifts and pledges, increase the number of donors, and maximize the use of endowed funds. This operating budget also includes a \$559K bolster in research funds that will be used to equip core research facilities with state-of-the-art equipment for the biology, chemistry, bioengineering, and Center for Scientific Computing and Visualization Research. Outfitting research labs with the appropriate equipment improves the faculty chances for securing external funding.

For student success efforts, \$441K is dedicated to promulgate growth in nonresident enrollment to meet the target of 5% improvement by FY16. In addition, the campus will implement English as an Additional Language (EAL) program in FY15 to further support the initiative of growth in non-resident student enrollment. As part of the student success efforts, the campus looks to

improve retention and persistence in the second to third year of the undergraduate student career. A noted improvement of 3% is targeted as a goal for FY2017.

In FY2014 the campus put significant effort into redefining University Extension programming, with an emphasis on improving on-line learning. Continued improvement is expected for on-line learning this next year.

The FY15 operating budget also includes an investment in the Law School of \$4M to ensure success of the in achieving accreditation from the American Bar Association. The University is committed to achieving accreditation, and developing a self-sustaining Public Law School, and will continue to support the school in achieving this goal. However, like other law schools, UMass continues to measure the dramatic changes in the legal education market wrought by prolonged economic downturn. The campus is engaged in on-going exercises to heighten the awareness of this affordable option to an education in law. Some examples of this effort includes, the newly designed view book, and various other marketing material developed in FY14. In FY15, the Law School will open an incubator facility that will aid promising graduates in launching and securing their careers as legal professionals.

### **Operating Margin**

Given the initiatives mentioned above, and the continuation of current programming, the overall operating expenditures for FY15 are projected to be \$240.8M; with a projected operating loss of -\$7.25M and an associated operating margin of -3.11%. The Law school contributes significantly to this deficit. In fact, if the campus were not investing in the Law School, the campus would be submitting an operating budget with expenses at \$231.5M, an operating loss of -\$1.5M, and an operating margin of -.65%; very close to breaking even. Tuition and fees for the Law School have remained frozen for a third year; a commitment made to the ABA to ensure affordability. However, in FY16, the Law School will have the ability to raise fees. This alone will not be sufficient to support the school. Campus investment will be required until full ABA accreditation is achieved and the current negative perception of legal education reverses.

### ***Efficiency and Effectiveness***

Since 2011, the campus has participated in both system and campus initiatives to improve efficient and effective operations. Some of the initiatives which began with this initial effort continue to date and are highlighted as follows:

- The installation of a new combined heat and power system installed in FY14 (mentioned above) will recover and reuse energy from waste heat. This system is expected to generate significant energy efficiencies in the range of twelve thousand kWh per year.
- The Dartmouth campus participated in a solar photo voltaic net metering credit program. This is a program which offers billing arrangements that provides *credit* to customers with *solar Photo Voltaic* systems for the full retail value of the electricity that their system generates. This is a UMass system initiative in which the savings on the Dartmouth campus has the potential to be \$480,000 per year; over a 20 year period this represents approximately \$9.7M of savings.

- In FY14 the campus payroll functions were consolidated into the central office. This centralization allows for optimization of processes, and knowledge sharing.
- Another system-wide effort relating to Elevator Maintenance was led by the Dartmouth Campus. It consolidated 6 vendors to a single vendor. The estimated annual savings to the Dartmouth campus are estimated to yield \$60,000 in cost savings annually. The contract is in its third and final year.
- The Mobile Device Optimization project was another University of Massachusetts system initiative. This is an initiative that will result in approximately \$25,000 annual savings for the Dartmouth Campus in FY14. The effort centralizes wireless phone service under two providers and allows for enormous streamlining. Through the centralization of wireless services, hundreds of services have been consolidated into 12 accounts, and the resulting service plans can be pooled across the university.
- In FY14 the campus successfully completed all of the rigors required by Pacheco Law and effectively outsourced the campus book store, selecting Follett as the choice provider. Transition to Follett is effective as of March 17, 2014. This privatization has the potential to save the University approximately \$650,000 over 5 years or \$130,000/year. Completion of this initiative is significant as no other UMass campus has facilitated the privatization of a business operation since 1999. It is an example of UMass Dartmouth's ability to be innovative and a leader of change in identifying and executing effective business solutions.
- In FY15 the campus will be implementing position management. Position management will allow for enhanced decision making and strategic planning. This is a collaborative effort between the central system, human resources and finance. It eliminates the need for customized solutions for obtaining personnel information and allows managers to have this information instantaneously through Summit reports.
- As part of the continued efforts to improve efficiency and effectiveness, the campus will investigate other areas where outsourcing or centralization may make sense. Some of the areas that will be considered include accounts payable, janitorial services, and grounds keeping. Additional areas may identified as E&E campus discussions continue to evolve.

### ***Staffing Overview***

The staffing plan for FY15 is consistent to the FY14 plan. However, in the interest of increasing non fee-based sources of revenues, the campus will look to fortify resources in the Institutional Advancement area. Specific hires identified for this department include an Assistant Vice Chancellor whose main focus is dedication to securing major gifts; a senior philanthropic officer that will focus on advancing endeavors relating to the College of Arts and Sciences and several support staff. In FY15, in support of maximizing resources and improving efficiencies, hiring of part-time lecturers will be controlled centrally under the direction of the Provost. This practice will help to ensure that faculty is teaching at on-load levels, and classes are filled to meet the desired student / teacher ratios. Graduate and Research Assistants will be managed similarly, under the control of the Associate Provost of Graduate Studies.

### ***Conclusion***

The UMass Dartmouth campus has experienced many challenges over the past several years that have resulted in less than stellar financial performance. Some of these challenges include declining or stagnating enrollment, low mix of non-resident and female students, and a drastic decline in the economic outlook for law schools across the nation, and slow adoption of on-line learning opportunities. The campus recognizes these challenges and through efforts that began in FY14, and continuing in FY15, coupled with the development of the Transform2020 Strategic Plan and the campus' commitment to it, change is being affected.

The University has achieved improvement in areas for which we have control; areas such as growth in on-line enrollment and programming, and we will continue to see improvement as faculty incentives and marketing messaging are created and instituted. The changes in business processes in our Admissions Office and improved activity in our international markets as well as a renegotiated contract for recruiting international pathway students is expected to have a significant impact on FY16 nonresident enrollment. Our ability to raise alternative revenues will improve as we dedicate more resources to harvest funds from this source. Other highly impactful areas where University control is not integral to policy or procedures, such as the outlook in an education in law, will require longer periods to recover and become sustainable requiring continued support from the campus. However, the management team in place is prepared to face these challenges and make the necessary decisions that will result in a stronger University best positioned for successful performance and contributions to the overall portfolio of higher education for the University of Massachusetts.

### Attachments:

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

FY15 University Operating Budget – Dartmouth Campus  
June 18, 2014

University of Massachusetts							
Combining Statement of Revenues, Expenses, and Changes in Net Position							
(in thousands of dollars)							
Dartmouth							
				2014		FY15 Bud. v FY14 Proj.	
	2011 Actuals	2012 Actuals	2013 Actuals	Projected	2015 Budget	\$ Change	% Change
<b>REVENUES</b>							
<b>Operating Revenues</b>							
Tuition and Fees	\$72,088	\$74,904	\$76,821	\$71,387	\$71,488	\$101	0.1%
Federal Grants and Contracts	15,137	10,863	9,421	9,039	9,039	-	0.0%
State Grants and Contracts	5,711	7,546	6,268	5,284	5,284	-	0.0%
Local Grants and Contracts	176	601	315	445	445	-	0.0%
Private Grants and Contracts	4,778	5,084	3,850	4,292	4,692	400	9.3%
Sales & Service, Educational	93	50	125	120	120	0	0.1%
Auxiliary Enterprises	45,546	47,300	48,405	47,780	45,707	(2,073)	-4.3%
Allocation from Campuses						-	0.0%
Other Operating Revenues:						-	0.0%
Sales & Service, Independent Operations						-	0.0%
Sales & Service, Public Service Activities						-	0.0%
Other	4,566	6,356	5,079	5,000	5,518	518	10.4%
<b>Total Operating Revenues</b>	<b>148,095</b>	<b>152,704</b>	<b>150,284</b>	<b>143,347</b>	<b>142,293</b>	<b>(1,054)</b>	<b>-0.7%</b>
<b>EXPENSES</b>							
<b>Operating Expenses</b>							
<b>Educational and General</b>							
Instruction	64,830	66,161	68,426	69,716	73,128	3,412	4.9%
Research	18,213	18,852	18,274	18,366	18,906	541	2.9%
Public Service	4,677	5,581	5,513	5,735	5,759	24	0.4%
Academic Support	24,761	27,219	25,687	26,556	28,555	1,999	7.5%
Student Services	9,845	10,159	10,971	11,733	11,951	218	1.9%
Institutional Support	17,504	17,527	14,104	16,605	19,810	3,205	19.3%
Operation and Maintenance of Plant	22,137	23,402	19,604	20,644	22,086	1,442	7.0%
Depreciation and Amortization	12,531	11,409	13,438	15,516	17,425	1,910	12.3%
Scholarships and Fellowships	5,842	8,116	6,011	5,750	6,152	402	7.0%
Auxiliary Enterprises	28,827	31,425	30,055	31,116	28,469	(2,647)	-8.5%
Other Expenditures						-	0.0%
Independent Operations						-	0.0%
Public Service Activities						-	0.0%
<b>Total Operating Expenses</b>	<b>209,167</b>	<b>219,851</b>	<b>212,083</b>	<b>221,735</b>	<b>232,242</b>	<b>10,506</b>	<b>4.7%</b>
<b>Operating Income/(Loss)</b>	<b>(61,072)</b>	<b>(67,147)</b>	<b>(61,799)</b>	<b>(78,388)</b>	<b>(89,949)</b>	<b>(11,560)</b>	<b>14.7%</b>
<b>NONOPERATING REVENUES/(EXPENSES)</b>							
Federal Appropriations							
State Appropriations	51,840	55,993	57,242	64,330	72,020	7,690	12.0%
State Appropriations - Federal Stimulus Funds	4,079	0	0	0	0	-	0.0%
Gifts	1,000	0	0	0	0	-	0.0%
Investment Return	2,069	1,890	2,190	1,850	1,400	(450)	-24.3%
Endowment Return	969	1,430	1,509	1,679	1,750	71	4.2%
Interest on Indebtedness	(9,173)	(7,873)	(8,434)	(9,233)	(8,599)	634	-6.9%
Nonoperating Federal Grants	11,646	12,779	10,492	12,000	12,000	-	0.0%
Other Nonoperating Income	946	627	755	500	500	-	0.0%
<b>Net Nonoperating Revenues</b>	<b>63,376</b>	<b>64,846</b>	<b>63,754</b>	<b>71,126</b>	<b>79,071</b>	<b>7,945</b>	<b>11.2%</b>
Income/(Loss) Before Other Revenues, Expenses, Gains, and Losses	2,304	(2,301)	1,955	(7,263)	(10,878)	(3,615)	49.8%
<b>OTHER REVENUES, EXPENSES, GAINS, AND LOSSES</b>							
Capital Appropriations	8,201	30,650	16,037	9,720	4,700	(5,020)	-51.6%
Capital Grants and Contracts	100	0	13,813	5,816	11,400	5,584	96.0%
Additions to Permanent Endowments				0	0	-	0.0%
Net Amounts Earned/Received on Behalf of Others				0	0	-	0.0%
<b>Contributions for Capital Expenditures</b>	<b>3,332</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-</b>	<b>0.0%</b>
<b>University Related Organization Transactions</b>							
Disposal of Plant Facilities	(1,154)	(1,270)	(1,140)	(1,607)	(1,200)	407	-25.3%
Other Additions/Deductions	774	(170)	(593)	(497)	1,500	1,997	-401.9%
Total Other Revenues, Expenses, Gains, and Losses	11,253	29,210	28,117	13,432	16,400	2,968	22.1%
Total Increase/(Decrease) in Net Assets	13,557	26,909	30,072	6,169	5,522	(647)	-10.5%
<b>NET ASSETS</b>							
Net Assets at Beginning of Year	65,119	78,676	105,585	135,657	141,826	6,169	4.5%
Net Position at End of Year	78,676	105,585	135,657	141,826	147,349	5,522	3.9%

**Table 2**  
**University of Massachusetts**  
**Dartmouth Campus**  
**Fiscal Year 2015 Operating Budget Statement**  
**SPENDING BY TYPE OF EXPENSE (NATURAL CLASSIFICATION)**  
*(in thousands of dollars)*

EXPENSE CATEGORY	FY11 Actuals	FY12 Actuals	FY13 Actuals	FY14 Projected	FY15 Budgeted	\$ Change FY14 - 15	% Change FY14 - 15
Salaries and Wages	\$91,082	\$94,213	\$99,442	\$102,221	\$105,288	\$3,067	3.0%
Employee Fringe Benefits	\$26,704	\$31,889	\$23,855	\$26,207	\$27,266	\$1,059	4.0%
Student Aid	\$14,298	\$16,993	\$14,472	\$14,432	\$14,834	\$402	2.8%
Utilities	\$10,306	\$7,790	\$7,383	\$8,827	\$9,638	\$811	9.2%
Supplies and Other Services	\$54,246	\$57,557	\$53,493	\$54,532	\$57,791	\$3,259	6.0%
Depreciation	\$12,531	\$11,409	\$13,438	\$15,516	\$17,425	\$1,909	12.3%
<b>TOTAL</b>	<b>\$209,167</b>	<b>\$219,851</b>	<b>\$212,083</b>	<b>\$221,735</b>	<b>\$232,242</b>	<b>\$10,507</b>	<b>4.7%</b>

**Table 3**  
**University of Massachusetts**  
**DARTMOUTH CAMPUS**  
**Fiscal Year 2015 Operating Budget Statement**  
**SUMMARY OF FULL-TIME EQUIVALENT (FTE) EMPLOYEES**

	Actual Fall 2010 (FY2011)	Actual Fall 2011 (FY2012)	Actual Fall 2012 (FY2013)	Actual Fall 2013 (FY2014)	Projected Fall 2014 (FY2015)	FTE Change	% Change
<b>UNRESTRICTED/DESIGNATED FUNDS</b>							
Faculty	434.7	436.9	452.6	434.5	436.5	2.0	0.5%
Professional Staff	326.7	337.8	338.3	350.4	352.4	2.0	0.6%
Classified Staff	368.4	365.0	362.6	371.6	373.6	2.0	0.5%
	1,129.8	1,139.7	1,153.5	1,156.5	1,162.5	6.0	0.5%
<b>RESTRICTED FUNDS</b>							
Faculty	8.0	9.1	11.1	8.7	8.7	(0.0)	-0.5%
Professional Staff	42.4	41.5	37.4	19.7	19.7	0.1	0.3%
Classified Staff	5.4	3.0	3.0	2.1	2.1	0.0	0.0%
	55.8	53.6	51.5	30.5	30.5	0.0	0.0%
<b>TOTAL UNRESTRICTED AND RESTRICTED</b>	<b>1,185.6</b>	<b>1,193.3</b>	<b>1,205.0</b>	<b>1,187.0</b>	<b>1,193.0</b>	<b>6.0</b>	<b>0.5%</b>

**Table 4**  
**University of Massachusetts**  
**DARTMOUTH CAMPUS**  
**Fiscal Year 2015 Operating Budget Statement**  
***HEADCOUNT AND FTE ENROLLMENT***

	UNDERGRADUATE		GRADUATE		TOTAL		% Change	
	HC	FTE	HC	FTE	HC	FTE	HC	FTE
<b>Fall 2014 Projected</b>	<b>7,381</b>	<b>6,568</b>	<b>1,719</b>	<b>1,252</b>	<b>9,100</b>	<b>7,820</b>	0.5%	-0.6%
<b>Fall 2013 Actual</b>	<b>7,437</b>	<b>6,652</b>	<b>1,616</b>	<b>1,213</b>	<b>9,053</b>	<b>7,865</b>	-1.7%	-1.5%
<b>Fall 2012</b>	<b>7,562</b>	<b>6,799</b>	<b>1,648</b>	<b>1,185</b>	<b>9,210</b>	<b>7,984</b>	-0.2%	0.1%
<b>Fall 2011</b>	<b>7,580</b>	<b>6,802</b>	<b>1,645</b>	<b>1,178</b>	<b>9,225</b>	<b>7,980</b>	-2.2%	-3.4%
<b>Fall 2010</b>	<b>7,749</b>	<b>7,045</b>	<b>1,683</b>	<b>1,218</b>	<b>9,432</b>	<b>8,263</b>		

\*Source: Fall 2010, Fall 2011, and Fall 2012 figures from Student Profile



# LOWELL CAMPUS



### ***FY15 Lowell Campus Budget Overview***

The University of Massachusetts Lowell submits for review and approval its Fiscal Year 2015 Operating Budget totaling \$378.1 million. This budget reflects current (April 2014) assumptions about the state appropriation allocation and student charge decisions on campus finances. Key elements of the FY2015 budget include:

- State appropriation increases to support bargaining unit raises for state funded employees and additional new state funding allocated as part of the “50.50” fee-freeze program.
- Projected 9.0% increase in revenue from tuition and fees due to student charge increases for non-resident students and resident graduate students and growth in undergraduate, graduate, out-of-state and continuing studies enrollment. Enrollment growth and the opening of newly renovated residential halls also driving 6.0% increase in auxiliary revenues.
- Increased investment in new faculty and student service staff.
- Other cost drivers include depreciation, interest and operations and maintenance expenses and investments for the campus Division 1 upgrade and planned opening of the new University Crossing Campus Center facility.

The Fiscal Year 2015 Operating Budget Statement for the University of Massachusetts Lowell presents a general plan for the year and outlines our priorities, resources and planned use of funds in FY 2015.

The document considers the FY2013 actual financial statement results, the forecasted results for FY2014 and the projected outcome for FY2015 based on the campus budget planning and parameters established by the President’s Office.

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

Chancellor Meehan has been working with Lowell’s faculty, staff and administration since 2008 to adjust to the Commonwealth’s fiscal challenges while maintaining the focus on executing the vision and strategic plan for the University. Despite the challenges, the goal continues to be to strive for excellence through strategic investment in our students, faculty and facilities.

The University of Massachusetts Lowell is a major research public university committed to excellence in teaching, research and community engagement. We strive to transform students to succeed in college, as lifelong learners and as informed citizens in a global environment. UMass Lowell offers affordable, experience-based undergraduate and graduate academic programs taught by internationally recognized faculty who conduct research to expand the horizons of knowledge. The programs span and interconnect the disciplines of business, education, engineering, fine arts, health and environment, humanities, sciences and social sciences. The University continues to build on its founding tradition of innovation, entrepreneurship and partnerships with industry and the community to address challenges facing the region and the world.

The campus developed the UMass Lowell 2020 Strategic Plan five years ago. It provides a framework for how we will achieve national and international recognition as a world-class



institution. The Strategic Plan and the organizing “Pillars of Excellence” have driven programmatic growth and investments in facilities and is repositioning the University so that students, faculty and staff, and the community see us as a true public enterprise committed to taking an entrepreneurial approach to innovation in all aspects of our University.

UMass Lowell joined the America East Athletic Conference in July 2013 elevating all programs to the Division 1 level. This move aligns the campus more closely with peer research institutions in the region and across the country. The invitation to join the conference is a further recognition of the progress that the University has made toward achieving the goals set out by the strategic plan.

UMass Lowell’s progress is receiving national recognition as one of the nation's "best buys" in higher education, according to Forbes' "Best Value College" rankings for 2013. This accolade comes one month after UMass Lowell was named the "Most Underrated College in America" by Business Insider, a business and technology news website <http://www.uml.edu/News/news-articles/2013/sun-forbes.aspx> .

During the next Phase of the Transformation, the campus will further integrate all aspects of the university into the strategic plan and the Pillars of Excellence.

NEASC New England Association of Schools and Colleges (NEASC) made its accreditation visit in October of 2013. Although the written report cannot be distributed until the NEASC Board approves it this spring initial feedback from the draft report shows that UMass Lowell "met or exceeded all the standards."

Highlights from the draft report emphasized the success of strategic planning, the Pillars of Excellence and Report Card

- Assertive plans for growth grounded in the strategic plan
- Excellence in student engagement, student life & support
- Impressive academic programs including online and continuing education programs
- Strength of pervasive collaborative, dedicated work ethic

### ***FY14 Highlights***

The campus continues to experience dynamic enrollment growth. Enrollment increased by 535 students in FY2014 (including on-line and continuing education). Student enrollment generated revenue has become a significant portion of the University’s unrestricted revenue.

FY2014 student revenues are forecasted to increase 9.0% over FY2013 due to enrollment growth and increased rates. The Lowell Campus is currently forecasting a breakeven operating result for FY2014. This forecast is an improvement over the \$6.3 million operating deficit (-1.8%) budgeted last year at this time for FY2014.



Campus investments of nearly \$37 million from FY2011 through FY2014 have been targeted at activities that improve the overall quality of academic programs and enhance the entire student learning and living experience, such as:

- Supporting Enrollment Growth, Campus Expansion and Financial Aid:
  - New tenure track and lecturer faculty;
  - Support for faculty and student work including smart classroom upgrades, lab equipment investments and library materials;
  - Critical staff hires in growth impacted service areas such as admissions, financial aid, international student support;
  - Transportation system improvements;
  - Public safety investments including police equipment upgrades, emergency phone, blue light and security camera upgrades;
  - Information technology including academic computing, network support, audio visual and video conferencing upgrades, training, document management and workflow systems to improve processing efficiencies.
  
- Operational and Service Improvements:
  - Facilities renewal including repairs, academic office renovations, energy efficiency and space inventory system upgrades, planning, project management and building and operational service improvements;
  - Human resource and research administration investments.
  
- Student Affairs, Athletics and Recreation:
  - Funding for student activities, counseling, veterans, disability and diversity services.
  
- Fundraising, Marketing & Branding:
  - Annual fund and development support;
  - Marketing and web development investments.

#### Capital Planning & Facility Improvements

During fiscal year 2014 the campus opened two new residential halls on East and South campuses. University Suites and Riverview Suites added more than 980 suite style beds as well as additional recreation facilities and food service options for our students. The campus borrowed \$132 million in February of 2014 through UMBA to finance the University Crossing campus center construction (opening Fall 2014), renovations to Leitch & Bourgeois residential halls (opening Spring and Fall 2014), funding for renovations and improvements to instructional spaces, recreation, athletic and transportation facilities and to address deferred maintenance and code compliance issues on the North Quad.

The University is executing nearly 130 repair, renovation, renewal and reuse projects across the campuses. These projects were derived from our annual call prioritization process and range from the buildout of a new Starbucks on North campus to repairing fume hoods and refreshing classrooms on South campus.



The total cost to address the campus backlog of deferred maintenance is approximately \$530 million. Nearly 50% of the spending planned in the current five-year capital plan (FY2014-2018) will address this backlog. The repair and renovation projects noted above, the large state and UMBA managed projects and targeted demolition will drive down these costs. Increased operating budget allocations to preventative and on-going maintenance will also slow the growth of the backlog. The University's operating budget fully recognizes the costs of depreciation (consistent with the financial statement presentation). This recognition provides cash flow for campus capital improvements.

### ***FY15 Revenue and Expenditures***

#### **Revenues**

The University of Massachusetts Lowell FY2015 operating budget utilizes the state appropriation allocation assumptions proposed by the President's Office. The FY2015 state appropriation allocation includes an estimate of funding to support bargaining unit raises for state funded employees that are currently in negotiation and additional new state funding allocated as part of the "50.50" fee-freeze program. These assumptions, if realized, will provide \$9.2 million in new state funds for the campus.

The Lowell campus anticipates a 4.0% increase in undergraduate enrollment for Fall 2014. The university increased student charges 3.5% for non-resident graduate and undergraduate students and resident graduate students. The Lowell campus has frozen the operating fee (curriculum fee) for resident undergraduate students for FY2015 as a result of the University's "50.50" commitment to the state.

The new student center, University Crossing, will open this fall. The \$97 million facility will provide coordinated and expanded student services and programming that will be supported in part by an increase in the Student Activity Fee (SAF). In addition the SAF increase will support the ramping up of the Division 1 program to achieve conference required compliance and competitiveness milestones.

The enrollment growth and student charge increases will result in an estimated 9.0% increase in tuition and fee revenue (net of financial aid). Enrollment growth and efforts to expand the residential experience for students will generate a 6.0% increase in revenues from Residential Housing and Food Services. This includes the opening of the newly renovated Leitch and Bourgeois residential halls in 2014. Grant and contract revenue from all sources is projected to increase by 12% over FY2014.

#### **Expenditures**

Projected cost increases for facilities in FY2015 include \$5.7 million increase in debt interest payments and \$4.3 million increase for facility operational and maintenance costs. FY2015 estimates of moving to Division 1 are reflected in the increase in student service spending.

The overall result of the changes in revenues and expenses is a projected \$6.5 million deficit or a -1.7% operating margin for FY2015 funded by accumulated surpluses. However, on an



operating cash flow basis (adding back depreciation, capital expenditures and debt principle) the University expects a breakeven outcome.

Should the University's final FY2014 and FY2015 budget outcome prove more favorable, the campus will continue the practice of reviewing and targeting surpluses toward much needed facility improvements and other strategic investments to enhance the growth and development of the student experience and effectiveness of our world-class faculty.

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

The campus has partnered with DCAMM to implement an accelerated energy program (AEP) that will finance \$26 million in energy improvements from energy cost avoidance. The more than 160 projects will reduce energy consumption by approximately 24% and reduce campus deferred maintenance by between \$10 and \$12 million. Construction will finish in FY2016 and the payback will take approximately fourteen years.

### ***Staffing Overview***

The campus funded 95 new tenure track and non-tenure track faculty between FY2011 and FY2014 to meet enrollment growth and program needs and has budgeted an additional 25 new faculty in FY2015. Staffing levels have increased in areas of critical importance to the strategic plan, primarily in the facilities, public safety, student services and academic support areas.

### ***Enrollment Overview***

Enrollments grew more than 45% between 2007 and 2013 and are projected to grow nearly 5% this Fall and 4% per year through Fall 2017. UMass Lowell is expanding out-of-state and international enrollments, Master's and on-line enrollments and most significantly, it is expanding its overall "market share" of Massachusetts' undergraduate students. This growth *has not* come at the expense of selectivity, quality or diversity. Sponsored research funding has increased 75%. The campus facilities master plans will address the pressures of current and future growth including demand for new academic programs and residential and recreational facilities and the continued need to renew facilities with systems that show signs of obsolescence and address the backlog of deferred maintenance.

### **Attachments:**

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



*FY15 University Operating Budget – Lowell Campus  
June 18, 2014*

University of Massachusetts							
Combining Statement of Revenues, Expenses, and Changes in Net Position							
(in thousands of dollars)							
Lowell							
						FY15 Bud. v FY14 Proj.	
	2011 Actuals	2012 Actuals	2013 Actuals	2014 Projected	2015 Budget	\$ Change	% Change
<b>REVENUES</b>							
<b>Operating Revenues</b>							
Tuition and Fees	\$113,418	\$127,679	\$139,748	\$153,380	\$167,880	\$14,500	9.5%
Federal Grants and Contracts	24,964	22,404	23,151	22,075	23,088	1,013	4.6%
State Grants and Contracts	5,123	5,622	5,091	4,800	5,529	729	15.2%
Local Grants and Contracts	278	279	322	242	297	55	22.7%
Private Grants and Contracts	10,577	10,700	10,160	10,314	12,908	2,594	25.2%
Sales & Service, Educational	228	375	129	150	118	(32)	-21.3%
Auxiliary Enterprises	30,054	32,564	36,188	46,115	48,888	2,773	6.0%
Allocation from Campuses						-	0.0%
Other Operating Revenues:						-	0.0%
Sales & Service, Independent Operations						-	0.0%
Sales & Service, Public Service Activities						-	0.0%
Other	4,694	4,202	6,046	5,292	5,544	252	4.8%
<b>Total Operating Revenues</b>	<b>189,336</b>	<b>203,825</b>	<b>220,835</b>	<b>242,368</b>	<b>264,252</b>	<b>21,884</b>	<b>9.0%</b>
<b>EXPENSES</b>							
<b>Operating Expenses</b>							
<i>Educational and General</i>							
Instruction	90,691	101,858	105,148	116,868	128,252	11,384	9.7%
Research	35,285	36,794	35,921	34,769	37,444	2,675	7.7%
Public Service	2,216	1,824	1,321	1,122	1,368	246	21.9%
Academic Support	20,164	23,058	22,656	24,203	26,592	2,389	9.9%
Student Services	17,405	20,516	21,280	26,435	30,092	3,657	13.8%
Institutional Support	32,135	39,376	39,316	39,569	42,756	3,187	8.1%
Operation and Maintenance of Plant	27,482	32,737	30,056	38,026	42,327	4,301	11.3%
Depreciation and Amortization	16,085	16,927	19,657	23,595	28,325	4,730	20.0%
Scholarships and Fellowships	8,413	8,674	9,767	11,035	12,675	1,640	14.9%
<i>Auxiliary Enterprises</i>	18,814	19,832	21,176	26,071	28,275	2,204	8.5%
<i>Other Expenditures</i>						-	0.0%
Independent Operations						-	0.0%
Public Service Activities						-	0.0%
<b>Total Operating Expenses</b>	<b>268,690</b>	<b>301,596</b>	<b>306,298</b>	<b>341,693</b>	<b>378,106</b>	<b>36,413</b>	<b>10.7%</b>
<b>Operating Income/(Loss)</b>	<b>(79,354)</b>	<b>(97,771)</b>	<b>(85,463)</b>	<b>(99,325)</b>	<b>(113,854)</b>	<b>(14,529)</b>	<b>14.6%</b>
<b>NONOPERATING REVENUES/(EXPENSES)</b>							
Federal Appropriations							
State Appropriations	76,303	77,868	79,228	87,426	100,013	12,587	14.4%
State Appropriations - Federal Stimulus Funds	5,735	0	0			-	0.0%
Gifts	2,667	2,463	2,170	2,589	2,800	211	8.1%
Investment Return	8,514	3,975	6,440	2,760	2,782	22	0.8%
Endowment Return	874	1,329	1,554	2,136	2,306	170	8.0%
Interest on Indebtedness	(4,596)	(5,310)	(9,625)	(11,258)	(16,925)	(5,667)	50.3%
<b>Nonoperating Federal Grants</b>	<b>14,290</b>	<b>15,695</b>	<b>15,410</b>	<b>15,817</b>	<b>16,307</b>	<b>490</b>	<b>3.1%</b>
<b>Other Nonoperating Income</b>	<b>167</b>	<b>126</b>	<b>114</b>	<b>120</b>	<b>105</b>	<b>(15)</b>	<b>-12.5%</b>
<b>Net Nonoperating Revenues</b>	<b>103,954</b>	<b>96,146</b>	<b>95,291</b>	<b>99,590</b>	<b>107,388</b>	<b>7,798</b>	<b>7.8%</b>
Income/(Loss) Before Other Revenues, Expenses, Gains, and Losses							
Gains, and Losses	24,600	(1,625)	9,828	265	(6,466)	(6,731)	-2540.0%
<b>OTHER REVENUES, EXPENSES, GAINS, AND LOSSES</b>							
Capital Appropriations	5,463	41,220	17,164	19,500	14,400	(5,100)	-26.2%
Capital Grants and Contracts	1,901	2,105	5,613	5,000		(5,000)	-100.0%
Additions to Permanent Endowments						-	0.0%
Net Amounts Earned/Received on Behalf of Others						-	0.0%
<b>Contributions for Capital Expenditures</b>	<b>0</b>	<b>0</b>	<b>3,000</b>				
<b>University Related Organization Transactions</b>							
Disposal of Plant Facilities	(1,004)	(4,528)	(1,388)	(1,234)	(1,271)	(37)	3.0%
Other Additions/Deductions	220	1,332	(379)	303	250	(53)	-17.5%
<b>Total Other Revenues, Expenses, Gains, and Losses</b>	<b>6,580</b>	<b>40,129</b>	<b>24,010</b>	<b>23,569</b>	<b>13,379</b>	<b>(10,190)</b>	<b>-43.2%</b>
<b>Total Increase/(Decrease) in Net Assets</b>	<b>31,180</b>	<b>38,504</b>	<b>33,838</b>	<b>23,834</b>	<b>6,913</b>	<b>(16,921)</b>	<b>-71.0%</b>
<b>NET ASSETS</b>							
Net Assets at Beginning of Year	182,289	213,469	251,973	285,811	309,645	23,834	8.3%
<b>Net Position at End of Year</b>	<b>213,469</b>	<b>251,973</b>	<b>285,811</b>	<b>309,645</b>	<b>316,558</b>	<b>6,913</b>	<b>2.2%</b>



**Table 2**  
**University of Massachusetts**  
**Lowell Campus**  
**Fiscal Year 2015 Operating Budget Statement**  
***SPENDING BY TYPE OF EXPENSE (NATURAL CLASSIFICATION)***  
***(in thousands of dollars)***

	FY11	FY12	FY13	FY14	FY15	\$ Change	% Change
<b>EXPENSE CATEGORY</b>	<b>Actuals</b>	<b>Actuals</b>	<b>Actuals</b>	<b>Projected</b>	<b>Budgeted</b>	<b>FY14 - 15</b>	<b>FY14 - 15</b>
Salaries and Wages	\$131,440	\$144,401	\$158,412	\$169,170	\$181,787	\$12,617	7.5%
Employee Fringe Benefits	\$31,857	\$37,207	\$33,255	\$38,481	\$41,464	\$2,983	7.8%
Student Aid	\$5,413	\$8,674	\$9,767	\$11,035	\$12,675	\$1,640	14.9%
Utilities	\$9,035	\$7,655	\$7,721	\$10,798	\$11,463	\$665	6.2%
Supplies and Other Services	\$71,860	\$86,732	\$77,486	\$88,614	\$102,393	\$13,779	15.5%
Depreciation	\$16,085	\$16,927	\$19,657	\$23,595	\$28,325	\$4,730	20.0%
<b>TOTAL</b>	<b>\$265,690</b>	<b>\$301,596</b>	<b>\$306,298</b>	<b>\$341,693</b>	<b>\$378,107</b>	<b>\$36,414</b>	<b>10.7%</b>

**Table 3**  
**University of Massachusetts**  
**LOWELL CAMPUS**  
**Fiscal Year 2015 Operating Budget Statement**  
***SUMMARY OF FULL-TIME EQUIVALENT (FTE) EMPLOYEES***

	Actual Fall 2010 (FY2011)	Actual Fall 2011 (FY2012)	Actual Fall 2012 (FY2013)	Actual Fall 2013 (FY2014)	Projected Fall 2014 (FY2015)	FTE Change	% Change
<b>UNRESTRICTED/DESIGNATED FUNDS</b>							
Faculty	432.9	476.2	518.5	532.1	558.1	26.0	4.9%
Professional Staff	457.6	490.1	534.3	620.7	637.7	17.0	2.7%
Classified Staff	192.0	214.0	207.2	218.5	228.5	10.0	4.6%
	1,082.5	1,180.3	1,260.0	1,371.3	1,424.3	53.0	3.9%
<b>RESTRICTED FUNDS</b>							
Faculty	9.0	11.7	9.1	9.7	10.0	0.3	3.1%
Professional Staff	124.0	139.1	123.6	117.8	124.3	6.5	5.5%
Classified Staff	0.0	2.0	4.8	2.0	0.3	(1.7)	-85.0%
	133.0	152.8	137.5	129.5	134.6	5.1	3.9%
<b>TOTAL UNRESTRICTED AND RESTRICTED</b>	1,215.5	1,333.1	1,397.5	1,500.8	1,558.9	58.1	3.9%



Table 4  
University of Massachusetts  
**LOWELL CAMPUS**  
Fiscal Year 2015 Operating Budget Statement  
*HEADCOUNT AND FTE ENROLLMENT*

	UNDERGRADUATE		GRADUATE		TOTAL		% Change	
	HC	FTE	HC	FTE	HC	FTE	HC	FTE
Fall 2014 Projected	13,243	10,746	4,618	2,961	17,861	13,707	5.5%	5.2%
Fall 2013 Actual	12,734	10,333	4,198	2,692	16,932	13,025	3.9%	4.3%
Fall 2012	12,287	9,972	4,007	2,518	16,294	12,490	5.6%	5.2%
Fall 2011	11,729	9,568	3,702	2,299	15,431	11,867	5.0%	4.5%
Fall 2010	11,276	9,206	3,426	2,155	14,702	11,361		

\*Source: Fall 2010, Fall 2011, and Fall 2012 figures from Student Profile

# WORCESTER CAMPUS

### ***FY15 Medical School Budget Overview***

The FY2015 operating budget for the University of Massachusetts Medical School (UMMS) prioritizes support for critical academic, infrastructure and research investments in support of the campus mission, while taking into account a fiscal environment that will require use of available reserves in the coming fiscal year. In recognition of these ongoing challenges, UMMS continues to assertively redesign and refine business and operational activities to protect resources for the core mission through its Excellence Program initiated in FY2011. Thus, the operating budget supports mission-critical programs and activities in key areas, while limiting non-essential and discretionary expenditures wherever possible as declining federal funding and limited state support continue to present significant challenges.

UMMS continues to attract highly capable students to the School of Medicine as judged by admission test scores, residency match results, and performance on licensing exams, and School of Medicine graduates continue to rank the educational experience as exceptional. The Graduate School of Nursing continues to evolve as the landscape of advanced practice nursing changes: graduates from the Doctorate of Nursing Practice degree program, the Graduate Entry Pathway and the traditional doctoral program are meeting important needs in areas of practice, education and research for the campus and the region. The Graduate School of Biomedical Sciences continues to attract a highly regarded applicant pool, and its reputation continues to grow, attributable, in part, to the achievement and accessibility of the research faculty, which now includes a fifth member of the National Academies (Michael R. Green, MD, PhD, director of the Program in Gene Function and Expression, who was named to the National Academy of Sciences). Recent data from the Association of American Medical Colleges places UMMS in the top tier nationally for achieving benchmarks associated with physician training and workforce development. Taken together, UMMS faces similar budget challenges as other academic health centers, but does so with structural advantages of world-class faculty, students and leadership.

### ***Campus Strategic Planning Process***

In November, eighty members of the UMass Medical School community, including faculty, staff, students and clinical leaders from UMass Memorial Health Care met to advance a collaborative process that will ultimately result in a new strategic plan. “Vision 2020” will be a guide for UMMS during a time of dramatic upheaval in health care delivery and financing; research funding and the translation of research into practice; and health sciences education in an era of rapid change.

The current UMMS Strategic Plan has served effectively as a roadmap for UMMS and its role in the future of health sciences research, education and service delivery. Strategic planning underpins the operating budget process, mapping campus investments to design new models of health care delivery; build the workforce of the future; sustain an ideal learning environment; translate research discovery into medical practice; become a more effective business organization; and make a substantive impact on our region, the Commonwealth and the world.

Both current strategic plan goals and draft goals for Vision 2020 are closely aligned with the University's strategic priorities.

Thus, the FY2015 operating budget acknowledges that the continued success of the campus is tied to achieving realistic budget priorities, in a challenging environment of constrained resources and limits to capital investment. The strategic planning process initiatives in partnership with the health care system are key to continued success.

### **Vision 2020**

The new strategic plan is built around the following vision:

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

### ***FY2014 Highlights***

The current year included many important milestones critical to the campus, highlighted by occupancy of the Albert Sherman Center. Investments continue in medical education and

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

UMMS faculty continue to be recognized for their world-leading achievements, as evidenced by the recent election of a fifth faculty member – Professor of Molecular Medicine and Biochemistry and Molecular Pharmacology Michael R. Green, MD, PhD – to the National Academy of Sciences. Green joins Lasker Award winner Victor Ambros, PhD; Nobel Laureate Craig C. Mello, PhD; renowned ALS researcher Robert H. Brown, Jr. MD, DPhil; and Professor of Quantitative Health Sciences John Ware, PhD, as a member of the national academies. Other notable achievements of the year include:

- Katherine Luzuriaga, MD, professor of pediatrics and medicine and vice provost for clinical and translational research, received a **2014 Distinguished Achievement Award** from Tufts University for her research in preventing mother-to-child HIV transmission and using early therapy to functionally cure an HIV-1 infected infant.
- The Society of Behavioral Medicine has named preventive medicine pioneer Judith Ockene, PhD, chief of the Division of Preventive and Behavioral Medicine, the 2014 recipient of its **Distinguished Scientist Award**. Dr. Ockene is a past president of SBM, and was awarded the society's Distinguished Mentor Award in 2009.
- Kathleen Miller, EdD, professor of nursing, and Karen Lee Dick, PhD, associate professor of nursing, were inducted into the **National Academies of Practice** as distinguished practitioners in nursing. They were elected by their peers, who represent 10 different health professions, to join this interprofessional group of health care practitioners and scholars dedicated to supporting affordable, accessible, coordinated, quality health care.
- The U.S. Food and Drug Administration has approved the start of a mid-stage clinical trial of an adult stem cell treatment for patients with amyotrophic lateral sclerosis (ALS); the **Phase II clinical trial** will be launched initially at UMass Medical School and Massachusetts General Hospital in Boston.
- Third year medical student Jacob Kushkuley is among 70 of the nation's top medical and veterinary students selected to participate in the 26th class of the **HHMI Medical Research Fellows Program**, a \$2.8 million annual initiative to increase the training of future physician-scientists.
- The Massachusetts Life Sciences Center awarded a \$5 million grant for UMass Medical School's MassBiologics to build and operate a first-in-Massachusetts cGMP (Current Good Manufacturing Practice) **Vector Manufacturing Center** (VMC) to respond to a new era in the use of viral vectors to prevent and treat human diseases. The VMC will be a 3,900 sq. ft.

commercial/clinical scale facility that will include multi-platform upstream cell culture, downstream purification and dedicated fill capabilities.

- Graduate School of Biomedical Sciences students Colin Conine and Emma Watson received **2014 Harold M. Weintraub Graduate Student Awards** for research into the mechanisms governing epigenetic inheritance and the complex interactions between diet, gene expression and physiology. Only 13 students from North America were chosen for the prestigious award, sponsored by the Basic Sciences Division of the Fred Hutchinson Cancer Research Center. UMass Medical School was one of only two institutions to have more than one winner this year.
- A new initiative brings together faculty, postdoctoral fellows, students and biotechnology industry leaders to create a more robust on-campus community of scientific entrepreneurs. The **Massachusetts Therapeutic and Entrepreneurial Realization Initiative (MassTERi)** is a faculty-led initiative that will support scientists who are interested in advancing development of small molecule drugs and in commercializing their innovations.
- Vivian Budnik, PhD, professor of neurobiology, received a **MERIT award** from the National Institute of Mental Health for her grant *The wingless transduction pathway in synapse development*. MERIT awards are given to a very small number of researchers who “have demonstrated superior competence and productivity during their previous endeavors and who are likely to continue to perform in an outstanding manner in the future.” The MERIT award guarantees an additional 10 years of funding.
- UMass Medical School researchers were part of the launch of **Voyager Therapeutics**, a gene therapy company founded by four world leaders in the fields of AAV gene therapy, RNA biology and neuroscience, to develop life-changing treatments for fatal and debilitating diseases of the central nervous system (CNS).
- Clare Smith, PhD, a postdoctoral fellow in the laboratory of Christopher M. Sasseti, PhD, associate professor of microbiology & physiological systems, was named a finalist for the **2014 Young Australian of the Year** award. She was recognized for her efforts to help eradicate malaria, specifically her discovery of a new anti-malarial compound that may avoid the rapid development of resistance common to the current generation of drugs.
- Victor R. Ambros, PhD, *the Silverman Chair in Natural Sciences*, professor in the Program in Molecular Medicine and co-director of the RNA Therapeutics Institute, was awarded the **2014 Wolf Prize in Medicine** for his discovery of the microRNA (mRNA) molecules that play a key role in controlling gene expression in natural processes and disease development.
- Thomas G. Fazio, PhD, assistant professor of molecular medicine, was recognized as a rising scientific star by President Obama with a **Presidential Early Career Award for Scientists and Engineers**. The Presidential Award is the highest honor bestowed by the U.S. government on outstanding scientists and engineers in the early phases of their research careers. Dr. Fazio was one of 102 scientists and engineers selected for this year’s award.

- The Medical School licensed “anti-gal” technology developed by Uri Galili, PhD, professor of surgery and medicine, to newly formed biopharmaceutical company *Agalimmune Ltd.* for the purpose of developing innovative immunotherapies for the treatment of solid tumor cancers. Initial funding raised by the company will be used to continue the translation of the UMMS anti-gal technology to the clinic.
- Gang Han, PhD, assistant professor of biochemistry & molecular pharmacology, received a \$1.3 million *EUREKA (Exceptional, Unconventional Research Enabling Knowledge Acceleration) grant* from the National Institute of Mental Health to develop light activated nanoparticles that can be used to image live brain tissue. These novel nanoparticles form the basis of a new tool that promises to help researchers map and decode previously inaccessible neural circuitry deep in the brain using near infrared light.
- UMass Medical School was *ranked fifth in primary care education* among 128 medical schools and 25 schools of osteopathic medicine surveyed by weekly news magazine *U.S. News & World Report* in its 2015 edition of the “Best Graduate Schools” issue. UMMS has been listed near the top of the category since 1994 when the magazine began publishing the rankings. Of note, UMMS is the only school in the top 50 that accepts only in-state students to its medical degree program. *U.S. News* also ranked UMMS 49 among research schools and 50 in the biological sciences.
- Phillip Zamore, PhD, is co-principal investigator of a new grant from the National Institutes of Health that will integrate formal career planning into students’ long years of training. UMass Medical School is in the first group of 10 graduate schools nationwide to be awarded the new *Broadening Experience in Scientific Training (BEST) grant* from the NIH.

Maintaining the environment that allows UMMS faculty to excel in their mission-based activities requires continuous investment in facilities, core equipment, novel research programs and recruitment. This, of course, impacts planning for the future, use of and access to capital markets as well as current operating margins. The balance between revenue-based, margin generating business activities that have been developed and managed by UMMS to augment its support of academic achievement versus traditional program support for UMMS’ founding mission is a constant challenge. Both the FY2014 and FY2015 financial performance and projections are impacted by recent capital investments, recruitment and fluctuations in UMMS’ approximately \$400 million of annual revenue-based operations.

Overall, FY2014 is projected to end with a negative variance to plan of \$12.2 million, generating a \$24.7 million decrease in net assets as compared to a budgeted decrease of \$12.5 million. The largest contributor to this deficit is a negative \$11.4 million timing variance in MassBiologics revenues due to a budgeted milestone payment from Merck which will not be realized until FY2015.

Commonwealth Medicine is projected to have a net contribution of \$7.4 million above plan. This is primarily the result of one-time revenue of \$10 million in the Center for Health Care Financing

Division. This is partially offset by a projected \$3 million shortfall in start-up operations related to a federal prison health contract.

In non-operating revenue, funds promised in the Higher Education Bond Bill for necessary capital maintenance projects in the medical school were not provided by the state, resulting in a \$6 million shortfall to plan.

As UMMS looks to FY2015, the importance of its mission can hardly be overstated; as a part of a great University and as a leading academic health sciences institution, UMMS has made investments in the student learning environment; in the faculty; in the research enterprise; and in public service programs. But more broadly, UMMS has invested in its mission of taking research discoveries, health sciences students, and the fruits of its intellectual endeavors and bringing them to bear on the most challenging health problems the world faces.

### ***FY2015 Revenue and Expenditures***

The FY2015 operating budget projects a decrease in net assets of \$23.7 million, an improvement of \$1 million over FY2014. This use of available reserves is necessary to maintain the success and trajectory of the translational and transformational research programs at UMMS and provide leverage across the UMass System through the UMass Center for Clinical and Translational Science and NIH funded Clinical and Translational Science Award.

While UMMS faculty continue to achieve highly competitive research scores, ongoing reductions in federal research funding continue to impact the campus. Anticipated research grant revenue from newly recruited faculty who bring existing extramural funding will offset some of the decline, but direct grant revenues are budgeted to drop \$16.3 million (8%), with \$13.3 million of this in federal grants. This will result in a \$3.1 million decline in indirect cost recovery.

The net contribution from Commonwealth Medicine is budgeted to normalize from the FY2014 level, which was created on a one-time revenue event, with FY2015 net revenue \$13.5 million less than the prior year at \$10.8 million. Medical Education Services revenue and State Payment expenses decline by \$22.5 million each in FY2015, which contributes to lower revenue and expense lines, but with no net bottom line impact.

MassBiologics is budgeted for a \$12.4 million improvement in net contribution for FY2015, bringing MassBiologics to essentially break even. The increase is a result of an anticipated milestone payment from Merck for vaccine licensing originally anticipated in FY2014.

Revenue from the state maintenance appropriation is budgeted to increase slightly assuming the Worcester campus receives a proportionate share of the second round of state budget increases toward achievement of the 50/50 funding goal. While there are several new, non-mandatory fees which apply to limited numbers of students planned for FY2015, they will not have a material impact on fee revenue.

Non-operating revenues decline \$8 million due to enhancement funds received from the President's Office in FY2014. This is offset by an increase of \$6 million budgeted for state capital funding to begin UMMS' deferred maintenance projects.

### ***Efficiency & Effectiveness Efforts***

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

The Excellence Program has been the catalyst for a number of ongoing process improvements, shared with clinical partner UMass Memorial, and serves as the basis for a continuing and ongoing evaluation of business processes and operations. Because a significant portion of the UMMS operating budget, such as research funding and Commonwealth Medicine contracts for services, is restricted and thus essentially self-balancing, the operating budget must depend on increases in revenue and efficiencies in areas such as central administrative operations to counterbalance decreases in federal and state core support.

Efforts focused on sustainable, data-driven and measurable initiatives, which result in a net improvement to the bottom line, will continue. The campus remains committed to benchmarking to industry best practices including, for example, energy efficiency. Reductions in services and administrative areas and consolidation of programs and activities continue to be balanced against areas of strategic growth and programs with enhanced revenue potential.

The campus continues to prudently manage reserves to make strategic long term investments that will pay dividends over time and maintain the core missions of the institution. As part of the campus efficiency & effectiveness efforts, the campus will continue to aggressively seek out and implement efficiencies across the spectrum of its operational activities; importantly, the faculty continue to support the concept of assertive operational redesign when the fruits of those efforts support the core mission.

### ***Enrollment and staffing***

Enrollment is projected to be consistent with FY2014 levels, with the medical school class size now fixed at 125 students for all years; no significant changes are anticipated in Graduate School of Nursing enrollments; and, a small enrollment increase is projected in the Graduate School of Biomedical Sciences.

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

### *Summary*

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

In doing this, UMMS depends heavily on the economic base provided by state support (base appropriation) as well as campus revenue-based funding to nourish and sustain its academic and public service activities. These campus revenue generating activities are supplemental to base support and in no way alleviate the critical need for state funding at a level that recognizes UMMS' unique role within the University system.

#### Attachments:

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

*FY15 University Operating Budget – Worcester Campus  
June 18, 2014*

University of Massachusetts							
Combining Statement of Revenues, Expenses, and Changes in Net Position							
(in thousands of dollars)							
Worcester							
	2014					FY15 Bud. v FY14 Proj.	
	2011 Actuals	2012 Actuals	2013 Actuals	Projected	2015 Budget	\$ Change	% Change
<b>REVENUES</b>							
<b>Operating Revenues</b>							
Tuition and Fees	\$12,084	\$14,107	\$14,367	\$15,613	\$15,539	-\$74	-0.5%
Federal Grants and Contracts	193,763	184,887	174,603	199,984	183,296	(16,688)	-8.3%
State Grants and Contracts	29,653	30,462	33,140	28,950	25,374	(3,576)	-12.4%
Local Grants and Contracts	0	0	0	0	0	-	0.0%
Private Grants and Contracts	49,037	47,782	48,391	41,188	41,428	240	0.6%
Sales & Service, Educational	6,159	7,523	5,345	7,022	8,418	1,396	19.9%
Auxiliary Enterprises	25,909	30,388	29,631	29,839	24,296	(5,543)	-18.6%
Allocation from Campuses						-	0.0%
Other Operating Revenues:						-	0.0%
Sales & Service, Independent Operations	52,619	61,087	46,062	40,432	54,471	14,039	34.7%
Sales & Service, Public Service Activities	670,557	383,855	447,119	428,020	345,258	(82,762)	-19.3%
Other	43,152	55,093	60,968	73,584	65,451	(8,133)	-11.1%
<b>Total Operating Revenues</b>	<b>1,082,933</b>	<b>815,184</b>	<b>859,626</b>	<b>864,632</b>	<b>763,531</b>	<b>(101,101)</b>	<b>-11.7%</b>
<b>EXPENSES</b>							
<b>Operating Expenses</b>							
<b>Educational and General</b>							
Instruction	47,825	48,633	53,895	53,827	52,995	(832)	-1.5%
Research	226,295	221,028	215,658	210,670	197,193	(13,477)	-6.4%
Public Service	27,374	28,836	30,657	29,670	29,764	94	0.3%
Academic Support	13,951	13,959	12,027	13,852	11,641	(2,211)	-16.0%
Student Services	4,076	5,823	5,950	6,368	5,886	(482)	-7.6%
Institutional Support	59,515	55,967	57,792	56,056	52,979	(3,077)	-5.5%
Operation and Maintenance of Plant	39,565	47,103	46,865	48,224	44,621	(3,603)	-7.5%
Depreciation and Amortization	45,183	45,924	62,161	63,612	63,693	81	0.1%
Scholarships and Fellowships						-	0.0%
<b>Auxiliary Enterprises</b>	<b>24,598</b>	<b>26,000</b>	<b>22,757</b>	<b>24,368</b>	<b>24,446</b>	<b>78</b>	<b>0.3%</b>
<b>Other Expenditures</b>							<b>0.0%</b>
Independent Operations	41,911	53,734	47,826	61,556	63,688	2,132	3.5%
Public Service Activities	626,981	293,951	327,293	361,685	286,504	(75,181)	-20.8%
<b>Total Operating Expenses</b>	<b>1,157,274</b>	<b>840,958</b>	<b>882,881</b>	<b>929,888</b>	<b>833,410</b>	<b>(96,478)</b>	<b>-10.4%</b>
<b>Operating Income/(Loss)</b>	<b>(74,341)</b>	<b>(25,774)</b>	<b>(23,255)</b>	<b>(65,256)</b>	<b>(69,879)</b>	<b>(4,623)</b>	<b>7.1%</b>
<b>NONOPERATING REVENUES/(EXPENSES)</b>							
Federal Appropriations	0	0	0	0	0		
State Appropriations	43,109	43,669	41,136	41,607	46,000	4,393	10.6%
State Appropriations - Federal Stimulus Funds	2,761	0	0	0	0	-	0.0%
Gifts	8,669	3,584	10,157	11,500	12,000	500	4.3%
Investment Return	23,082	5,077	14,484	12,401	12,989	588	4.7%
Endowment Return	2,537	2,388	2,351	2,332	2,549	217	9.3%
Interest on Indebtedness	(22,741)	(25,268)	(37,628)	(36,401)	(34,507)	1,894	-5.2%
Nonoperating Federal Grants	0	0	0	0	0	-	0.0%
Other Nonoperating Income	1,458	273	1,240	117	110	(7)	-6.0%
<b>Net Nonoperating Revenues</b>	<b>58,875</b>	<b>29,723</b>	<b>31,740</b>	<b>31,556</b>	<b>39,141</b>	<b>7,585</b>	<b>24.0%</b>
Income/(Loss) Before Other Revenues, Expenses, Gains, and Losses	(15,466)	3,949	8,485	(33,700)	(30,738)	2,962	-8.8%
<b>OTHER REVENUES, EXPENSES, GAINS, AND LOSSES</b>							
Capital Appropriations	999	401	45	1,000	7,000	6,000	600.0%
Capital Grants and Contracts	25,802	34,062	16,695	0	0	-	0.0%
Additions to Permanent Endowments	0	0	0	0	0	-	0.0%
Net Amounts Earned/Received on Behalf of Others	0	0	0	0	0	-	0.0%
Contributions for Capital Expenditures	1,029	(345)	1,514	0	0	-	0.0%
University Related Organization Transactions	0	0	0	0	0	-	0.0%
Disposal of Plant Facilities	(2,693)	(1,853)	(1,257)	0	0	-	0.0%
Gain from Sale of Discontinued Operations	9,655	0	0	0	0	-	0.0%
Other Additions/Deductions	(6,439)	2,485	7,332	8,000	0	(8,000)	-100.0%
Total Other Revenues, Expenses, Gains, and Losses	28,353	34,750	24,329	9,000	7,000	(2,000)	-22.2%
Total Increase/(Decrease) in Net Assets	12,887	38,699	32,814	(24,700)	(23,738)	962	-3.9%
<b>NET ASSETS</b>							
Net Assets at Beginning of Year	594,433	607,320	646,019	636,945	612,245	(24,700)	-3.9%
Net Position at End of Year	607,320	646,019	678,833	612,245	588,507	(23,738)	-3.9%

**Table 2**  
**University of Massachusetts**  
**Worcester Campus**  
**Fiscal Year 2015 Operating Budget Statement**  
***SPENDING BY TYPE OF EXPENSE (NATURAL CLASSIFICATION)***  
***(in thousands of dollars)***

	FY11	FY12	FY13	FY14	FY15	\$ Change	% Change
EXPENSE CATEGORY	Actuals	Actuals	Actuals	Projected	Budgeted	FY14 - 15	FY14 - 15
Salaries and Wages	\$343,259	\$333,767	\$336,319	\$333,724	\$298,740	(\$34,984)	-10.5%
Employee Fringe Benefits	\$79,172	\$73,322	\$65,095	\$74,487	\$66,679	(\$7,808)	-10.5%
Student Aid	\$1,303	\$2,028	\$2,014	\$2,507	\$2,369	(\$138)	-5.5%
Utilities	\$31,016	\$31,180	\$34,260	\$33,166	\$31,019	(\$2,147)	-6.5%
Supplies and Other Services	\$658,208	\$355,318	\$383,872	\$422,785	\$371,303	(\$51,482)	-12.2%
Depreciation	\$44,316	\$45,342	\$61,320	\$63,219	\$63,300	\$81	0.1%
<b>TOTAL</b>	<b>\$1,157,274</b>	<b>\$840,957</b>	<b>\$882,881</b>	<b>\$929,888</b>	<b>\$833,410</b>	<b>(\$96,478)</b>	<b>-10.4%</b>

**Table 3**  
**University of Massachusetts**  
**WORCESTER CAMPUS**  
**Fiscal Year 2015 Operating Budget Statement**  
***SUMMARY OF FULL-TIME EQUIVALENT (FTE) EMPLOYEES***

	Actual Fall 2010 (FY2011)	Actual Fall 2011 (FY2012)	Actual Fall 2012 (FY2013)	Actual Fall 2013 (FY2014)	Projected Fall 2014 (FY2015)	FTE Change	% Change
<b>UNRESTRICTED/DESIGNATED FUNDS</b>							
Faculty	286.9	270.5	271.7	244.6	236.7	(7.9)	-3.2%
Professional Staff	1,587.9	1,524.9	1,575.0	1,519.8	1,503.0	(16.8)	-1.1%
Classified Staff	1,188.0	1,063.1	1,034.8	753.1	736.5	(16.6)	-2.2%
	3,062.8	2,858.5	2,881.5	2,517.5	2,476.2	(41.3)	-1.6%
<b>RESTRICTED FUNDS</b>							
Faculty	273.2	268.0	246.7	240.5	235.5	(5.0)	-2.1%
Professional Staff	732.3	729.5	680.0	635.3	621.0	(14.3)	-2.3%
Classified Staff	180.5	173.8	180.4	179.7	165.0	(14.7)	-8.2%
	1,186.0	1,171.3	1,107.1	1,055.5	1,021.5	(34.0)	-3.2%
<b>TOTAL UNRESTRICTED AND R</b>	<b>4,248.8</b>	<b>4,029.8</b>	<b>3,988.6</b>	<b>3,573.0</b>	<b>3,497.7</b>	<b>(75.3)</b>	<b>-2.1%</b>

**Table 4**  
**University of Massachusetts**  
**WORCESTER CAMPUS**  
**Fiscal Year 2015 Operating Budget Statement**  
***HEADCOUNT AND FTE ENROLLMENT***

	UNDERGRADUATE		GRADUATE		TOTAL		% Change	
	HC	FTE	HC	FTE	HC	FTE	HC	FTE
Fall 2014 Projected			1,177	1,122	1,177	1,122	1.4%	1.6%
Fall 2013 Actual			1,161	1,104	1,161	1,104	0.1%	-1.0%
Fall 2012			1,160	1,115	1,160	1,115	-2.4%	-7.5%
Fall 2011			1,189	1,206	1,189	1,206	2.7%	3.1%
Fall 2010			1,158	1,170	1,158	1,170		



# SYSTEM OFFICE



### ***FY15 System Office Budget Overview***

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

The Office of Academic Affairs, Student Affairs and International Relations (AASAIR) provides University-wide oversight and coordination to ensure the quality of the University's students, faculty and programs. The Office stresses collaboration and cooperation with faculty, Provosts, Librarians, Institutional Research Officers, Vice Chancellors for Student Affairs, Admissions Directors, Chief Research Officers, and International Programs Directors. AASAIR encourages the innovative use of new technologies for research, teaching and service throughout the University and promotes more faculty global research by minimizing or removing impediments to international scholarship and research. AASAIR works with the other Vice Presidential areas and UMass Online, as well as with the state's K-12 enterprise, to review and evaluate proposed and existing programs. AASAIR represents the interests of the University and serves as a point of engagement for external agencies and organizations (e.g. the Board of Higher Education and the K-12 enterprise, including the STEM initiative). AASAIR works to enhance recruitment of prepared students from all backgrounds by emphasizing the idea that enrollment management is everyone's responsibility. AASAIR activities are also aimed at encouraging more globally competent graduates with the critical tools for recognizing cultural values other than their own.

The Office of Economic Development serves as a central coordinator and catalyst for mobilizing the resources of the University in support of our mission to help build the innovation economy of the Commonwealth. The department serves as a focal point for system-wide economic development initiatives, a facilitator of collaborative ventures with industry and state government, and a consultant to campuses on economic development issues. Units in the department include: the Office of Commercial Ventures and Intellectual Property (CVIP); the Massachusetts Technology Transfer Center; and the Donahue Institute (the public service arm of the President's Office). The University's primary economic roles are in five areas: science and technology-based economic development, R&D and technical partnerships with industry, technology commercialization and venture creation, workforce development, and economic research and analysis.



Established by the Trustees in 1970, the University of Massachusetts Donahue Institute for Governmental Services (UMDI) functions as a public service, outreach, and economic development unit for the Office of the President. UMDI personnel work collaboratively with business and industry; local, state, and federal government; and non-profit and educational organizations. UMDI typically manages about 150 projects annually, primarily through our six business groups, and in some cases also as special projects.

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

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

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

UITs provides both technical and strategic IT guidance and support related to the major shared administrative applications and systems at the university, including Financials, Human Capital Management and Student Systems. Major goals in this area include providing a platform that contributes to the business and academic community's ability to meet their performance and outcomes goals. They strive to provide an environment of high quality service and responsiveness for our peers and constituents relative to the applications and technology that they support.



Headquartered at the University’s Collaborative Services Facility in Shrewsbury, UMassOnline is the University’s online education consortium. UMassOnline enables the University to provide wider access to its educational programs via the Internet, while increasing revenues to support its campuses. UMassOnline’s mission continues to be: 1) to provide access to a University of Massachusetts education to students who are unable to attend one of the campuses; 2) to serve community needs for education in critical areas of economic development, health and welfare and education; and 3) to raise revenues for support of students, faculty, teaching, outreach, and research. To this end, the UMassOnline team supports the campuses to develop, grow and market online programs by: 1) funding the development of new online programs; 2) providing faculty support, development and training; 3) providing technology support by creating and maintaining a robust platform for online learning; and 4) marketing programs to position UMass as a high-quality national player in online higher education and increase online course and program enrollments in Massachusetts, New England, national and international markets.

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

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

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

- Student Success
- Workforce Educated and Engaged Citizenry
- World-Class Research Enterprise
- Social Well-Being
- Good Stewards of State Resources
- Telling and Selling the UMass Story

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

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



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

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

### ***FY14 Highlights***

FY14 was the first year that the overall economic health of the Commonwealth was recovering in such a way that budget investments could be made. It was during this time that the 50/50 proposal was submitted and understood as a rational plan for investing in the University. The University benefitted from this recovery starting in July when the Governor signed the budget into law and included the first year of funding toward the 50/50 investment. In addition, several initiatives began or were continued in FY14 that are highlighted below. These are just a few among many that the staff in the President's Office has been a part of during this fiscal year.

*UMass Performance* – The University released its first annual performance measurement report entitled “UMass Performance: Accountable & On the Move” in March of 2014 that uses a rating system to assess the University's progress in achieving 21 goals across six priority areas, ranging from the experiences of its students to the impact of its research to how well it manages its resources. The six categories that make up the 21 goals are: Student Experience & Success; Educated Workforce & Engaged Citizenry; World-Class Research & Development Enterprise; Enhanced Social Well-Being; Good Stewards of Resources; and Telling & Selling the UMass Story. This report is meant to serve as an annual report progress that the University is making toward its stated goals.



*Efficiencies & Effectiveness* – Over the past several years, the University has focused on efficiency and effectiveness projects that generate meaningful savings for the University. This effort is currently tracking 128 projects estimated to save and avoid costs totaling \$219.9 million over the life of the projects. The University has worked hard to integrate the E&E process into its daily routine in order to demonstrate that it takes its stewardship of resources seriously.

*Economic Impact Study* – Based on a study completed by the UMDI, the University of Massachusetts system contributed \$6.1 billion to the Massachusetts economy last year, with growth over the past three years driven by unprecedented levels of construction projects. Spending tied to UMass employees, operations, research, students and construction was responsible to varying degrees for over 45,000 jobs. It found that the state's \$519 million investment in the UMass system in Fiscal Year 2013 helped leverage and support \$6.1 billion in economic activity in Massachusetts or \$12 in economic output for every \$1 in state money that UMass received. The full report can be found here - <http://media.umassp.edu/massedu/news/massecon05222014.pdf>

*Springfield Satellite Center* - Building upon the satellite center research previously conducted by UMDI, a new, first of its kind Springfield Satellite Center opened in FY14. The Welcome Center opened on March 31<sup>st</sup> and enables potential students to obtain information and register for courses at the Center and across the UMass campuses. Work on the development of the full Academic Center continues at an aggressive pace. The 26,000 square foot facility, which will include classrooms, computer labs, conference rooms, small meeting rooms, faculty and staff offices, student learning commons and lounge, is slated to open in late August.

Attachments:

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



*FY15 University Operating Budget – System Office  
June 18, 2014*

University of Massachusetts Combining Statement of Revenues, Expenses, and Changes in Net Position (in thousands of dollars)							
Central							
	2011 Actuals	2012 Actuals	2013 Actuals	2014 Projected	2015 Budget	FY15 Bud. v FY14 Proj.	
						\$ Change	% Change
<b>REVENUES</b>							
<b>Operating Revenues</b>							
Tuition and Fees	\$5,599	\$7,153	\$7,024	\$6,409	\$6,744	\$335	5%
Federal Grants and Contracts	3,906	2,577	2,450	8,783	9,420	637	7%
State Grants and Contracts	2,632	2,584	2,983	1,953	1,999	46	2%
Local Grants and Contracts	169	78	173	4	180	176	4400%
Private Grants and Contracts	5,170	4,305	3,691	445	658	213	48%
Sales & Service, Educational	1,623	1,478	2,023	49	152	103	210%
Auxiliary Enterprises				0	0	0	0%
Allocation from Campuses	53,604	55,898	60,710	75,799	75,716	(83)	0%
Other Operating Revenues:				0	0	0	0%
Sales & Service, Independent Operations				2,994	3,083	89	3%
Sales & Service, Public Service Activities				351	350	(1)	0%
Other	10,529	17,603	8,772	4,178	4,729	551	13%
<b>Total Operating Revenues</b>	<b>83,232</b>	<b>91,676</b>	<b>87,826</b>	<b>100,965</b>	<b>103,031</b>	<b>2,066</b>	<b>2%</b>
<b>EXPENSES</b>							
<b>Operating Expenses</b>							
<i>Educational and General</i>							
Instruction	13,165	13,058	12,507	11,252	10,730	(522)	-5%
Research	3,134	3,279	3,084	5,020	7,221	2,201	44%
Public Service	1,577	1,149	1,144	2,317	2,417	100	4%
Academic Support				0	0	0	0%
Student Services				0	0	0	0%
Institutional Support	50,022	57,157	60,064	75,906	82,579	6,673	9%
Operation and Maintenance of Plant	5,537	6,213	6,288	6,000	6,000	0	0%
Depreciation and Amortization	7,326	5,879	5,641	6,000	6,000	0	0%
Scholarships and Fellowships	6	6	6	0	0	0	0%
<i>Auxiliary Enterprises</i>				0	0	0	0%
<i>Other Expenditures</i>				0	0	0	0%
Independent Operations				6,017	3,448	(2,569)	-43%
Public Service Activities				0	0	0	0%
<b>Total Operating Expenses</b>	<b>80,767</b>	<b>86,741</b>	<b>88,734</b>	<b>112,512</b>	<b>118,395</b>	<b>5,883</b>	<b>5%</b>
<b>Operating Income/(Loss)</b>	<b>2,465</b>	<b>4,935</b>	<b>(908)</b>	<b>(11,547)</b>	<b>(15,364)</b>	<b>(3,817)</b>	<b>33%</b>
<b>NONOPERATING REVENUES/(EXPENSES)</b>							
Federal Appropriations							
State Appropriations	10,926	12,730	10,847	0	0	0	0%
State Appropriations - Federal Stimulus Funds	0	7	0	0	0	0	0%
Gifts				0	0	0	0%
Investment Return	7,983	2,089	4,760	4,619	4,619	0	0%
Endowment Return	193	231	224	224	224	0	0%
Interest on Indebtedness	(891)	172	(680)	(500)	(500)	0	0%
Nonoperating Federal Grants				0	0	0	0%
Other Nonoperating Income	17	(78)	335	335	335	0	0%
<b>Net Nonoperating Revenues</b>	<b>18,228</b>	<b>15,151</b>	<b>15,486</b>	<b>4,678</b>	<b>4,678</b>	<b>0</b>	<b>0%</b>
Income/(Loss) Before Other Revenues, Expenses, Gains, and Losses	20,693	20,086	14,578	(6,869)	(10,686)	(3,817)	56%
<b>OTHER REVENUES, EXPENSES, GAINS, AND LOSSES</b>							
Capital Appropriations						0	0%
Capital Grants and Contracts	2,100	2,282	0	0	0	0	0%
Additions to Permanent Endowments						0	0%
Net Amounts Earned/Received on Behalf of Others						0	0%
Contributions for Capital Expenditures						0	0%
University Related Organization Transactions						0	0%
Disposal of Plant Facilities	\$0.00					\$0.00	0%
Other Additions/Deductions	(1,080)	1,206	1,326	1,200	1,200	0	0%
<b>Total Other Revenues, Expenses, Gains, and Losses</b>	<b>1,020</b>	<b>3,488</b>	<b>1,326</b>	<b>1,200</b>	<b>1,200</b>	<b>0</b>	<b>0%</b>
<b>Total Increase/(Decrease) in Net Assets</b>	<b>21,713</b>	<b>23,574</b>	<b>15,904</b>	<b>(5,669)</b>	<b>(9,486)</b>	<b>(3,817)</b>	<b>67%</b>
<b>NET ASSETS</b>							
Net Assets at Beginning of Year	87,762	109,476	133,049	148,953	150,305	1,352	1%
<b>Net Position at End of Year</b>	<b>109,475</b>	<b>133,050</b>	<b>148,953</b>	<b>143,284</b>	<b>140,819</b>	<b>(2,465)</b>	<b>-2%</b>



**Table 2**  
**University of Massachusetts**  
**President's Office**  
**Fiscal Year 2015 Operating Budget Statement**  
**SPENDING BY TYPE OF EXPENSE (NATURAL CLASSIFICATION)**  
*(in thousands of dollars)*

	FY11	FY12	FY13	FY14	FY15	\$ Change	% Change
EXPENSE CATEGORY	Actuals	Actuals	Actuals	Projected	Budgeted	FY14 - 15	FY14 - 15
Salaries and Wages	\$32,342	\$33,793	\$37,271	\$39,184	\$43,264	\$4,080	10.4%
Employee Fringe Benefits	\$9,808	\$10,837	\$9,989	\$11,002	\$12,534	\$1,532	13.9%
Student Aid	\$6	\$6	\$6	\$0	\$0	\$0	0.0%
Utilities	\$5,537	\$6,213	\$6,288	\$6,000	\$6,000	\$0	0.0%
Supplies and Other Services	\$25,748	\$30,013	\$29,539	\$50,326	\$50,597	\$271	0.5%
Depreciation	\$7,326	\$5,879	\$5,641	\$6,000	\$6,000	\$0	0.0%
<b>TOTAL</b>	<b>\$80,767</b>	<b>\$86,741</b>	<b>\$88,734</b>	<b>\$112,512</b>	<b>\$118,395</b>	<b>\$5,883</b>	<b>5.2%</b>

**Table 3**  
**University of Massachusetts**  
**PRESIDENT'S OFFICE**  
**Fiscal Year 2015 Operating Budget Statement**  
**SUMMARY OF FULL-TIME EQUIVALENT (FTE) EMPLOYEES\***

	Actual FTEs Fall 2010 (FY2011)	Actual FTEs Fall 2011 (FY2012)	Actual FTEs Fall 2012 (FY2013)	Actual FTEs Fall 2013 (FY2014)	Proj. FTEs Fall 2014 (FY2015)	FTE Change Fall 2014 - 15	% Change Fall 2014 - 15
<b>UNRESTRICTED/DESIGNATED FUNDS</b>							
Faculty	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
Professional Staff	282.9	295.9	419.1	328.4	330.1	1.7	0.5%
Classified Staff	10.0	8.0	5.0	6.0	6.0	0.0	0.0%
	292.9	303.9	424.1	334.4	336.1	1.7	0.5%
<b>RESTRICTED FUNDS</b>							
Faculty	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
Professional Staff	89.7	79.1	72.1	61.7	67.9	6.2	10.0%
Classified Staff	6.0	4.0	3.0	2.0	2.0	0.0	0.0%
	95.7	83.1	75.1	63.7	69.9	6.2	9.7%
<b>TOTAL UNRESTRICTED AND REST</b>	<b>388.6</b>	<b>387.0</b>	<b>499.2</b>	<b>398.1</b>	<b>406.0</b>	<b>7.9</b>	<b>2.0%</b>