

# UMASS LOWELL

---

## FY2020 ANNUAL OPERATING BUDGET

AUGUST 2019



## FY20 Campus Budget Overview

The University of Massachusetts Lowell submits for review and approval its Fiscal Year 2020 Operating Budget totaling approximately \$495.8 million. The FY2020 Operating Budget presents a general plan for the year and outlines our priorities, resources and planned use of funds in FY 2020. The document considers the FY2018 actual financial statement results, the forecasted results for FY2019 and the projected outcome for FY2020 based on the campus budget planning and parameters established by the President's Office. Lowell's FY2020 Operating Budget has been developed within the context of our 2020 Strategic Plan and multi-year financial plan reviewed by the Board of Trustees in March 2019.

Key revenue and expense assumptions of the FY2020 budget include:

- State appropriation that reflects only an increase in funds for collective bargaining and the value of the change in fringe benefits for state funded employees per the President's Office guidelines.
- Projected 4.9% increase in revenue from tuition and fees (net of financial aid) resulting from student charge increases for in-state and out-of-state undergraduate students and growth in undergraduate enrollment.
- 7.5% increase in graduate and on-line revenue resulting from expanded course offerings and degree programs in on-line education for the summer and fall. The University plans to rebrand its continuing education division to *Graduate and Professional Studies* and to make significant increased investments in marketing, advising, Salesforce CRM, and website upgrades.
- Strategic growth-related cost increases include new faculty to maintain an 18 to 1 student to faculty ratio, financial aid and increases in operating funds for facilities and operations.
- Salary costs will increase 2.9% over last year and the cost of providing benefits is projected to increase 6.6%.
- Other cost drivers include depreciation, interest on building renovations, operations and maintenance expenses and continued investments for student services, classroom technology and network improvements.

The overall result of the changes in budgeted revenues and expenses for FY2020 is a projected \$2.8 million surplus or a 0.6% operating margin.

## UMass Lowell 2020 Strategic Plan

The University of Massachusetts Lowell embarked on a strategic planning process in 2010 to define our vision for the future and create a road map to achieve our ambitious goals by 2020. We have regularly reviewed the plan with stakeholders from across the university community including the President's Office and Board of Trustees.



We hold ourselves accountable to the goals we have set. To measure our progress, the university publishes an annual Report Card ([UMass Lowell Report Card](#)). It is a useful gauge of what we have accomplished and what work remains ahead of us. The Strategic Plan was updated in March 2017 and the Report Card in March of 2019. Our multi-year financial plan (MYFP) is reviewed annually to reflect the planning, goals and benchmarks contained in the updates. The Lowell campus continues to aggressively pursue non-state revenues through expanded auxiliary operations such as hospitality and events services, our on-line, corporate and continuing education program and partnerships with industry and corporations.

Since 2010, the campus has made great progress in every area. Enrollment has climbed (+27%), research flourished (+22%), opportunities for experiential and international learning increased, the endowment has grown and collaborations with industry and other partners are thriving. In a sign of the national and international recognition of this progress, the university has steadily climbed in numerous college rankings.

UMass Lowell formally launched the public phase of *Our Legacy, Our Place: The Campaign for UMass Lowell* in 2016. The campaign surpassed its initial goal of \$125 million, having raised nearly \$136 million to this point. We have increased the goal to \$150 million by 2020, with a focus on enhancing student scholarship support.

Demographic changes and increased competition among all degrees and teaching modalities are impacting college and university enrollments across the region and country. Nowhere is that change more acute than in the Northeast, where birth rates remain the lowest in the country. And that trend is unlikely to change. As state funding has continued to fall short of salary, benefits and capital cost increases, the university continues to reallocate and reprioritize new funds toward strategic goals.

In FY19, the campus has taken a number of steps to meet its budget target including establishing a campus-wide committee on strategic cost savings to identify \$2 million in cost savings; reducing non-academic departmental base budgets by 5 percent; reducing on-going (annual) personnel costs by \$2 million and outperforming budget projections in key revenue areas such as sponsorships and gifts, grants, auxiliaries and events.

## FY 2019 Budget Planning Assumptions

### State Support

The University of Massachusetts Lowell FY2020 operating budget assumes an allocation of the state appropriation of \$127.7 million. This amount includes fringe benefit support and an increase in funds for collective bargaining for state funded employees.

### Enrollment and Student Charges



FTE enrollments grew 71% between 2007 and 2018 and FTE enrollments are projected to grow another 1.8% this Fall 2019.

The campus reduced its 2020 enrollment target from 20,000 headcount (15,500 FTE) to 19,000 headcount (15,000 FTE) last year. This change represents an annual growth rate of 2.0% year-on-year (FTE students). Our FTE target for Fall 2019 is 14,862 a 1.8% increase over FY19. Reaching this target is dependent upon a combination of recruitment of First-Time First-Year (FTFY) freshman, recruitment of transfer students, retention of admitted students, progress of upperclassmen in their degree plans, and graduation rates. UMass Lowell is expanding undergraduate out-of-state and international recruitment effort; however, we are not budgeting growth in these areas at this time.

#### In-State Undergraduate Tuition & Mandatory Fees

	FY19	FY20	\$ Change	% Change
Lowell	\$15,180	\$15,648	\$468	3.1%

The university has proposed increasing tuition by \$368 for all in-state undergraduate students and a 2.3% increase for out-of-state undergraduate students (\$647). The university is also proposing an increase in the campus technology fee of \$100 to continue needed investments in classroom and laboratory building technology infrastructure as well as expand on-line educational resources and e-book offerings for students to assist in driving down textbook costs. The technology fee has not increased since 2014.

The enrollment growth and student charge increases will result in an estimated 4.9% increase in tuition and fee revenue (net of financial aid). Enrollment growth and efforts to expand the residential experience for students will generate a 2.3% increase in revenues from Residential Housing and Food Services. New revenues from the rate increases will support inflationary increases and capital improvements to residential and dining facilities.

Lowell Students (FTEs)	Actual			Actual	Budget
	FY2016	FY2017	FY2018	FY2019	FY2020
In State	10,686	10,890	11,465	11,792	12,181
<i>In State Growth</i>		1.9%	5.3%	2.9%	3.3%
Out of State	2,935	3,020	2,959	2,809	2,681
<i>Out of State Growth</i>		2.9%	-2.0%	-5.0%	-4.6%
<b>Total</b>	<b>13,620</b>	<b>13,910</b>	<b>14,423</b>	<b>14,601</b>	<b>14,862</b>
<i>Total Growth</i>		2.1%	3.7%	1.2%	1.8%

#### Financial Aid

Financial aid continues to grow as a percent of tuition revenues to mitigate student charge increases. This ratio is expected to be 24.7% in FY20 up from 20.3% in FY16. The campus has set



a 2020 goal to reduce undergraduate debt at graduation to \$30,000 and we have made modest progress in recent years with average debt dropping from \$32,744 to \$32,178 between 2017 and 2018. However, hitting our ambitious target will require additional funding for financial aid as well as an all campus approach to supporting financial literacy programming for students and reducing time to degree completion. Institutional financial aid increased more than \$20 million between FY2015 and FY2019 from \$43.7 million to \$64.0 million (per the University Financial Aid Report). The FY2020 operating budget includes an increase of \$2.5 million in institutional financial aid as well as additional funds from the *Our Legacy, Our Place Campaign* – both current use and endowment scholarship funds. The new funds will allow us to meet approximately 88% of need as we continue to review the balance between need and merit aid and how we use endowment and campus funds to attract and retain students.

### **Grants & Contracts**

Grant and contract revenue from all sources are projected to increase 4.7% in FY2020. In FY17 the university renegotiated the federal Facilities and Administration (overhead) rate up from 51% to 53% in FY17 to 55% in FY18. The F&A rate further increased to 56.5% in FY19. F&A return is critical to offset costs incurred to support research and to seed and stimulate new research grants.

### **Faculty & Staff Planning**

The campus has budgeted faculty in FY2020 with a targeted 18:1 student faculty ratio at the campus level. The campus is currently below this ratio target. A multi-year faculty hiring plan is reviewed annually to identify faculty resource needs at the College and Department levels and inform our resource allocation plan. The FY20 budget includes 10 net new full-time faculty.

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. However, the campus continues to limit any new staff hires to only those personnel essential to the health and safety of the campus community or are critical to enhancing student success and revenue growth. We proactively manage and budget all positions to maximize vacancy savings during the fiscal year and to control growth in the base budget. This allows us to realize one-time savings from vacancies on an annual basis. The FY20 budget includes 4 net new full-time staff.



Employee FTEs	Actual		Budget	Actuals	Budget
	FY2017	FY2018	FY2019	FY2019	FY2020
<b>Restricted</b>					
Faculty	8	10	10	11	9
Staff	78	82	89	95	98
<b>Total Restricted</b>	<b>86</b>	<b>92</b>	<b>99</b>	<b>106</b>	<b>107</b>
<i>FTE Change (#)</i>		6	7	14	1
<b>Unrestricted General University Ops</b>					
Faculty	775	797	832	805	849
Staff	966	985	1,021	974	1,032
<b>Total General University Ops</b>	<b>1,741</b>	<b>1,782</b>	<b>1,853</b>	<b>1,779</b>	<b>1,881</b>
<i>FTE Change (#)</i>		42	71	(3)	102
<b>Unrestricted Aux./Independent Business</b>					
Faculty	-	-	-	-	-
Staff	38	38	78	75	76
<b>Total Aux./Independent Business</b>	<b>38</b>	<b>38</b>	<b>78</b>	<b>75</b>	<b>76</b>
<i>FTE Change (#)</i>		-	40	37	1
<b>Total Faculty &amp; Staff</b>	<b>1,865</b>	<b>1,912</b>	<b>2,030</b>	<b>1,960</b>	<b>2,064</b>
		2.5%	6.1%	2.5%	5.3%

\* The actual and snapshot FTE employee data reported in the table do not include all fully budgeted but vacant positions. For FY20, the campus is budgeting the addition of 10 new faculty and 4 new budgeted staff positions.

### Other expenses

In addition to \$11.5 million in salary and benefit cost increases, the campus is projecting increased spending in support of its capital improvement and research programs, scholarships and inflation on fixed costs such as utilities and central services. Depreciation and interest expenses are projected to grow 4.8% and 6.0% respectively, adding \$3.2 million in costs to the budget. In addition, the campus is projecting a \$1M increase in lease costs. Grant and contract spend will increase approximately \$2.0M, and we project a 2% increase in the central services assessment, however, not all costs have been finalized such as the Data Center Optimization upgrade project, MGHPCC, UMOL and UITS/BDL SiS projects.

Total campus operating expenditures are budgeted to increase 4.7%. The overall result of the changes in revenues and expenses is a projected positive 0.6% operating margin for FY2020. Achieving this bottom line will require the campus to continue to reallocate and reduce funding for personnel and non-personnel activities in the \$5 to \$6 million range.

### Capital Planning & Facility Improvements

During fiscal year 2020 UMass Lowell will continue to move forward with its highest priority capital projects, primarily a renovation program. There are no new buildings planned for the



near future. The focus of our effort is on improving space utilization, addressing deferred maintenance and making code and ADA-related improvements to our facilities. In 2010 only 24% of campus buildings were accessible; today 96% are.

The renovations of Dandeneau and Perry Halls were completed in August 2018 and January 2019 respectively. The full renovation of Coburn Hall and the partial renovation of our Olsen Hall science building are moving forward despite the lack of state capital funding. Coburn work began last summer.

Based on an in depth FY17 analysis conducted by Sightlines, the campus has a deferred maintenance project backlog of \$ 925 million that needs to be addressed over the next 10 years. While documenting the challenges, the study also commended UMass Lowell's commitment to capital investments in major renovation projects and its annual funding of deferred maintenance projects. The campus FY19-24 financial plan assumes an annual investment of between \$16M and \$25M to renovation and maintenance projects from campus funds and an additional annual state commitment of approximately \$3M on average.

Continued annual increases in operating budget allocations for 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.

### Campus Ratios FY2018 and FY2019

#### ***Operating Margin***

The University's original FY2019 Operating Budget approved by the Board of Trustees had a planned operating margin of 0.7% or \$3.3M. Currently, the campus is forecasting a slightly better operating margin of \$5.7M or a 1.2%. The campus is budgeting a \$2.8M or 0.6% operating margin for FY2019.

#### ***Debt Ratio***

The campus projects our debt ratio to be 7.5% in FY19 and FY20. Our multi-year plan continues to hold this ratio under the 8.0% policy threshold (pending the implementation of GASB 87 Capitalized Lease Accounting)

**FY20 University Operating Budget – Lowell Campus**  
**August 2, 2019**

Key Ratios	Actual			Budget FY2019	Q3 Proj FY2019	Budget FY2020
	FY2016	FY2017	FY2018			
Operating Margin (%)	0.2%	2.2%	1.6%	0.7%	1.2%	0.6%
<i>Operating Margin (\$)</i>	696	9,424	7,490	3,267	5,720	2,776
Operating Cash Flow Margin (%)	12.8%	14.6%	14.3%	13.8%	14.4%	13.5%
<i>Operating Cash Flow Margin (\$)</i>	51,839	62,350	64,009	63,593	67,216	65,544
Debt Service Burden (%)	7.5%	7.3%	7.4%	7.5%	7.4%	7.5%
Annual Debt Service Coverage (x)	1.7	2.0	1.9	1.8	1.9	1.8
Spendable Cash & Investments to Op Expenses (x)	0.34	0.31	0.29	0.22	0.26	0.27
Financial Leverage (x)	0.28	0.26	0.25	0.19	0.23	0.25
Enrollment	13,620	13,910	14,423	14,836	14,601	14,862
<i>Enrollment (% Change)</i>	1.9%	2.1%	3.7%	2.9%	1.2%	1.8%

## Attachments

- Campus Revenue and Expenses
- Tuition & Fee Schedule

FY20 University Operating Budget – Lowell Campus  
August 2, 2019

LOWELL								
Revenues	Actual			Budget	Q3 Proj	Budget	Variance	
	FY2016	FY2017	FY2018	FY2019	FY2019	FY2020	\$	%
Gross Tuition & Fees	224,065	243,228	256,002	269,821	261,718	274,927	13,209	5.0%
Tuition Discounts	(45,417)	(54,517)	(61,218)	(64,403)	(64,246)	(67,770)	(3,524)	5.5%
Discount Rate	20.3%	22.4%	23.9%	23.9%	24.5%	24.7%	0	
Net Tuition & Fees	178,648	188,711	194,784	205,418	197,472	207,157	9,685	4.9%
Grants	41,346	42,190	44,875	44,584	51,848	54,308	2,460	4.7%
Sales & Service, Educational	89	767	925	814	950	979	29	3.1%
Auxiliary Enterprises	57,782	60,570	65,030	66,774	68,095	69,681	1,586	2.3%
Other Operating	7,984	7,008	7,438	7,435	7,835	8,070	235	3.0%
State appropriations	104,725	111,859	117,668	120,354	122,942	127,702	4,760	3.9%
Other NonOperating	27,826	28,738	28,322	28,032	30,094	30,692	598	2.0%
<b>Total Revenues</b>	<b>418,400</b>	<b>439,843</b>	<b>459,042</b>	<b>473,410</b>	<b>479,236</b>	<b>498,589</b>	<b>19,353</b>	<b>4.0%</b>
% Growth	7.2%	5.1%	4.4%	3.1%	4.4%	4.0%		
Expenses	Actual			Budget	Q3 Proj	Budget	Variance	
	FY2016	FY2017	FY2018	FY2019	FY2019	FY2020	\$	%
Salaries & Fringe	239,536	249,312	262,133	273,894	275,107	286,589	11,482	4.2%
Non-personnel	114,923	116,761	121,734	124,252	125,080	133,023	7,943	6.4%
Scholarships and fellowships	9,134	9,316	9,983	11,261	11,261	10,891	(370)	-3.3%
Depreciation	32,985	34,127	37,806	39,236	40,554	42,514	1,960	4.8%
Interest	21,272	18,790	19,896	21,500	21,514	22,796	1,282	6.0%
<b>Total Expenses</b>	<b>417,850</b>	<b>428,306</b>	<b>451,552</b>	<b>470,143</b>	<b>473,516</b>	<b>495,813</b>	<b>22,297</b>	<b>4.7%</b>
% Growth	7.9%	2.5%	5.4%	4.1%	4.9%	4.7%		