

UMass Lowell

Fiscal Year 2015 Operating Budget

June 2014



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



University of Massachusetts							
Combining Statement of Revenues, Expenses, and Changes in Net Position							
(in thousands of dollars)							
Lowell							
				2014		FY15 Bud. v FY14 Proj.	
	2011 Actuals	2012 Actuals	2013 Actuals	Projected	2015 Budget	\$ Change	% Change
REVENUES							
Operating Revenues							
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%
Total Operating Revenues	189,336	203,825	220,835	242,368	264,252	21,884	9.0%
EXPENSES							
Operating Expenses							
Educational and General							
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%
Auxiliary Enterprises	18,814	19,832	21,176	26,071	28,275	2,204	8.5%
Other Expenditures						-	0.0%
Independent Operations						-	0.0%
Public Service Activities						-	0.0%
Total Operating Expenses	268,690	301,596	306,298	341,693	378,106	36,413	10.7%
Operating Income/(Loss)	(79,354)	(97,771)	(85,463)	(99,325)	(113,854)	(14,529)	14.6%
NONOPERATING REVENUES/(EXPENSES)							
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%
Nonoperating Federal Grants	14,290	15,695	15,410	15,817	16,307	490	3.1%
Other Nonoperating Income	167	126	114	120	105	(15)	-12.5%
Net Nonoperating Revenues	103,954	96,146	95,291	99,590	107,388	7,798	7.8%
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%
OTHER REVENUES, EXPENSES, GAINS, AND LOSSES							
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 Eamed/Received on Behalf of Others						-	0.0%
Contributions for Capital Expenditures	0	0	3,000				
University Related Organization Transactions							
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%
Total Other Revenues, Expenses, Gains, and Losses	6,580	40,129	24,010	23,569	13,379	(10,190)	-43.2%
Total Increase/(Decrease) in Net Assets	31,180	38,504	33,838	23,834	6,913	(16,921)	-71.0%
NET ASSETS							
Net Assets at Beginning of Year	182,289	213,469	251,973	285,811	309,645	23,834	8.3%
Net Position at End of Year	213,469	251,973	285,811	309,645	316,558	6,913	2.2%



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
EXPENSE CATEGORY	Actuals	Actuals	Actuals	Projected	Budgeted	FY14 - 15	FY14 - 15
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%
TOTAL	\$265,690	\$301,596	\$306,298	\$341,693	\$378,107	\$36,414	10.7%

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
UNRESTRICTED/DESIGNATED FUNDS							
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%
RESTRICTED FUNDS							
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%
TOTAL UNRESTRICTED AND RESTRICTED	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