University of Massachusetts Boston
Operating Budget Narrative, Fiscal 2027

Introduction

Development of the University of Massachusetts Boston ("UMB") annual operating budget begins in the fall prior to the upcoming fiscal year which runs from July through June. The five campuses are provided planning guidelines by the President's Office ("System Office"). These are usually assumptions for changes to in-state tuition rates, the state appropriation and fringe rates, System Office charges, collective bargaining parameters, endowment/investment income, and debt service. Campuses are given overall financial goals, such as achieving a certain level of operating margin.

The campus reviews its tuition and fee rates annually as part of developing the operating budget. Tuition & Mandatory fees by career (undergraduate/graduate) and residency are approved by the University of Massachusetts Board of Trustees with all other fees and charges approved by the President's Office or Chancellor through the authority granted by the Board of Trustees. Rates for associated public-private partnerships ("P3"), such as UMB's Motley residence halls, are determined by the entity's board, which includes a member from the campus administration and a member from the UMass Building Authority.

An annual Capital Budget and 5-year Capital Plan are also developed and updated during operating budget development to capture any operating costs or savings related to capital projects. UMB's capital budget is part of the overall capital budget for the University of Massachusetts. The System Office updates the university-wide capital budget biannually. Details of the capital budget are available on UMB's Office of Budget & Financial Planning (OBFP) webpage here. Details of the FY27 Operating Budget follow.

Annual Budget Calendar

- **Planning for upcoming fiscal year beginning the following July 1st.**

September (or prior)

- General Operating Budget guidance issued, and EPM system opens for unit planning.

January

- Specific planning parameters received from State and System Office
- Operating Budget system closes for edits.
- Tuition & Fees set, and Revenue fund process begins.
- Capital Budgeting process begins.

February

- Budget meetings with departments are held. Operating expense, revenue, fees and capital projects are reviewed.

March

- Tuition & Fees schedule due to System Office

April

- Board of Trustees vote on Tuition & Mandatory fees.

May

- Updates to State Appropriation based on State Budget process.
- Adjustments to targets made.

June

- Board of Trustees vote on budget.

Executive Summary

UMass Boston has maintained a positive operating margin over the past nine years (FY18-FY26), despite facing significant challenges. These include inflation, declining domestic demographics, the pandemic, and recent federal policy changes.

UMass Boston continues to experience the lingering effects of the post-COVID inflationary cycle, particularly as labor and vendor contract renewals impact various expense categories. The Consumer Price Index (CPI) peaked at 9.1% in June 2022 and has since declined to approximately 3.5% as of June 2026, indicating a period of relative stability in recent months. However, despite this moderation, vendors are still passing along delayed rate increases, making expense containment an ongoing challenge.

Declining numbers of domestic high school graduates have posed enrollment challenges in recent years. Prior to FY25, international and out-of-state students helped offset this decline. More recently, international student enrollment has begun to decrease as tighter federal immigration policies introduce new challenges in attracting and retaining this demographic.

Much credit is due to the Commonwealth of Massachusetts for its increased annual support of the campus and system with additional state funds for inflation and financial aid along with wage and fringe-benefit support to help navigate this inflationary cycle. Those funds combined with increased tuition & fee revenue have kept the campus fiscally stable and able to invest in priority strategic initiatives in fiscal years 2024 and 2025. However, in FY26-27 the Commonwealth's annual support year-over-year increases are returning to more traditional levels, resulting in more pressure as expense growth continues at a similar pace related to cost-of-living.

In 2022, the campus developed a new 10-year Strategic Plan, which is centered around the following Strategic Priorities and Commitments:

Strategic Priorities:	Commitments:
Holistic Student Success	Teaching, Research and Service Mission
Impactful Research and Scholarship	Antiracist and Health Promoting
For the City	Community and Collaboration
Enriching Our Human Core	Operational Excellence
Reimagining Our Campus Space	

The campus operating and capital budgets are built using the Campus Strategic plan as a guide in allocating resources along with the new Campus Master and Energy and Carbon Master plans.

UMB has begun implementation of the Priorities & Commitments of the plan with the following recent efforts (to name a few …):

- The new, hybrid "Activities-Based" budget model (Operational Excellence) entitled the Beacon Budget Model (BBM) is under development and currently is running parallel to the existing incremental budget model in FY25-27. BBM provides additional fiscal transparency, aligns resources with expenses, provides incentives for growth and efficiency, while increasing accountability. The FY25 budget process was the first parallel budget year, after assigning areas into academic, research, service centers (ARS Centers) and support units, and adjusting the

timeline of the budget to allow support units to finish their submission first so that ARS centers are aware of support cost allocations.

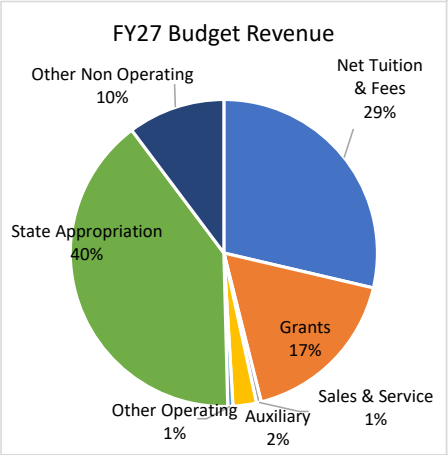
- UMB has now fully implemented reforms in the structure of Tuition & Fees (Holistic Student Success) to decrease bill confusion and increase flexibility in modalities for students. This structure allows for the separation of students into regular versus special programs. Regular students now have the option of online classes as part of their regular schedule and special programs, being substantially on-line, benefit from a lower price and fee profile.
- UMB has performed operational reviews of several departments including Information Technology, University Advancement, Campus Police, Facilities, Campus Services, the Bursar's Office, Marketing & Engagement among others, which have resulted in organizational improvements and efficiencies. (Operational Excellence).
- Software enhancements to strengthen infrastructure and data related to student success, such as implementation of Slate, Canvas Learning Management, and Helio campus. (Holistic Student Success)
- Health promotion initiatives include the Wellness Initiative "UMB-UR-BEST" as well as pop-up dental and vision clinics from University Health Services. (Holistic Student Success & Antiracist and Health Promoting)
- Recognition of cultural wealth and deepening the sense of belonging, primary efforts have been around the Native American/Indigenous community. (Enriching our Human Core)
- Effort to Improve DFWI rates (percentage of students who receive a D, F, or Incomplete grade or who withdraw), particularly focusing on Math and English initiatives. (Holistic Student Success)
- Launch of Grand Scholarly Challenges focusing research, scholarship, and academic programming. (Impactful Research and Scholarship)
- Increased professional development through training opportunities. (Enriching our Human Core)
- Facilities "spruce-up" projects to address common areas to improve the look, feel, and operations of the campus. (Reimagining Our Campus Space)
- The prior capital master plan was completed with the final project Substructure Demolition and Quadrangle Development (SDQD) at the end of FY24. A new Campus Master Plan was released during FY24 and is in the early stages of implementation. (Reimagining Our Campus Space)
- Piloted Early College programs with Boston Public Schools that will continue to build and evolve. (For the City)
- …many more initiatives exist across campus divisions and departments.

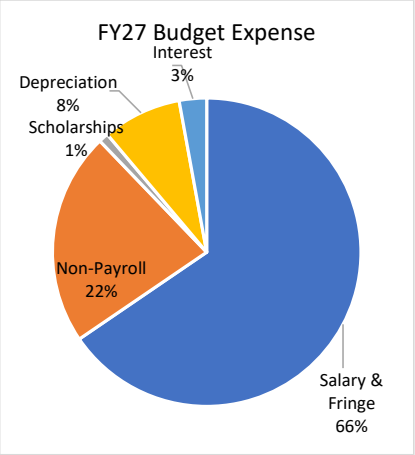
The pages that follow include descriptive statistics and trends related to campus revenues and expenses over the past 5 years, an update on the current fiscal year (2026) projection, and an overview of the Fiscal 2027 budget that commences July 1, 2026.

Categories of Revenue & Expense

Budgeted operating revenue is driven by State Appropriations and Tuition & Fees (net), accounting for 69% of the campus' annual resources. The remaining revenue results from Grants, Auxiliaries (Parking and Dining), and other funds.

Budgeted operating expense categories include Salaries & Fringe, 66%, and non-payroll expense, 22%, with the remaining 12% consisting of Interest, Depreciation, and Scholarship/Fellowship expense.





Trends in Operating Results

Non-operating revenues have grown faster than operating revenues for the past several years, as State Appropriations growth outpaced growth in Gross Tuition & Fees (Compound Annual Growth Rate, CAGR, State Appropriations 8.6% vs. Tuition CAGR 3.2%, FY22 to FY26). Since FY22, State Appropriations increased funding to the system and the campus for student financial aid, mental health, inflation support, employee Cost of Living Adjustments (COLA) and fringe cost increases. FY26 state funding includes bi-annual COLA increases of 3.5% and 3.0% for unions with steps and unions without steps respectively, effective July 2025 and January 2026.

5-Year Trend of Annual Operating Revenues, Expenses

($ in Thousands)

	Actual				Projected
	FY22	**FY23**	**FY24**	**FY25**	**Q3 FY26**
Gross Tuition & Fees	$ 244,867	$ 262,621	$ 276,606	$ 278,384	$ 278,025
Tuition Discounts	(76,828)	(83,923)	(110,573)	(114,678)	(113,647)
Discount Rate	*31.4%*	*32.0%*	*40.0%*	*41.2%*	*40.9%*
Net Tuition & Fees	168,039	178,698	166,033	163,706	164,377
Grants	63,564	74,643	93,422	103,141	100,633
Sales & Service, Educational	1,927	2,446	2,580	2,635	2,863
Auxiliary Enterprises	13,568	14,519	13,116	14,188	14,463
Other Operating	2,677	3,091	7,254	3,524	4,148
Operating Revenue	249,775	273,396	282,405	287,195	286,485
% Growth	0.9%	9.5%	3.3%	1.7%	-0.2%
State	158,380	184,083	210,820	219,841	220,542
Other Non Operating	78,053	48,776	52,035	62,386	64,714
Non-Operating Revenue	236,433	232,859	262,855	282,227	285,256
% Growth	6.2%	-1.5%	12.9%	7.4%	1.1%
Total Revenues	**486,208**	**506,256**	**545,260**	**569,422**	**571,741**
% Growth	3.4%	4.1%	7.7%	4.4%	0.4%
Salary & Fringe	274,008	297,569	334,492	351,039	352,672
Non-Personnel	118,316	119,439	125,965	136,234	138,765
Scholarships & Fellowships	35,893	21,159	5,984	5,705	5,835
Depreciation	34,280	34,196	37,172	41,251	45,345
Interest	19,209	19,094	20,633	19,450	17,689
Total Expenses	**481,706**	**491,458**	**524,246**	**553,679**	**560,307**
% Growth	8.7%	2.0%	6.7%	5.6%	1.2%
Operating Margin					
Surplus / (Deficit)	**4,502**	**14,798**	**21,014**	**15,743**	**11,434**
UMass OM Calc	**0.9%**	**2.9%**	**3.9%**	**2.8%**	**2.0%**

Operating revenue

Gross Tuition and Fees grew 13% FY22 to FY24 but remained relatively flat since. Fiscal years 22-24 saw increased average tuition per student as higher ticket international students grew from 8% of students in FY22 to 12% of students in FY24, reverting down to 8.7% in FY26. In-state students grew since FY24 keeping enrollment FTEs stable but the shift in student FTE mix resulted in less tuition, offsetting the lift from tuition rate increases.

Tuition discounting grew with increased Restricted Aid in addition to accounting methodology shifting dollars from the Scholarship/Fellowship expense line to the discounting line between FY23 and FY24 shifting the discounting rate from 32% to 40%. The Student Aid expense line shows the offsetting shift between FY23 and FY24. Increased Restricted Aid from Pell Grants and State Financial Aid are contributing to the overall growth in Aid.

The growth in Grants through FY25 was fueled by increased state-awarded student financial aid (offset by tuition discounting), along with growth in private and federal grants. FY26 Grants are projected to turn slightly down with both private and federal grants declining, with risk of significant decline based on Q4 FY26 trending.

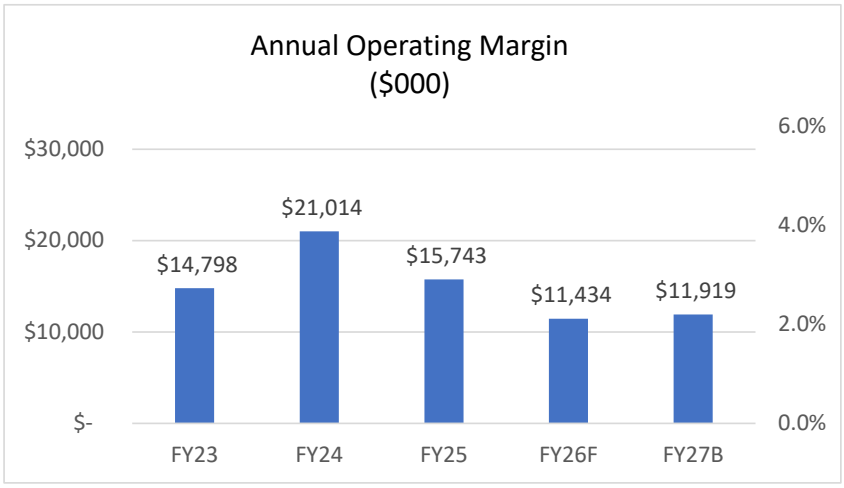
Lagging COVID impacts can be seen in FY22 revenue. Tuition revenue dipped in FY22 with reduced international enrollment, and pandemic-driven stimulus funding drove temporary increases in non-operating revenues in FY22.

Expense growth has been contained within available revenues with clear reductions FY22-23 in unrestricted non-personnel expenses driven by the remote operation of the campus related to COVID. Reductions in operating expenses related to Covid have since reversed and expense levels exceed spending prior to COVID due to inflationary price pressures and increased restricted funding (grants revenue).

Salary & Fringe expenses increased with cost-of-living adjustments combined with lower vacancies and higher fringe rates (partially offset by increased State support). Depreciation expense has increased as the campus completed the remaining portions of its 2009 Capital Master Plan and has pursued capital investment in its physical plant assets/deferred maintenance.

Despite challenges on both sides of the ledger due to COVID, and with the help of outside support, the campus has maintained a positive annual operating margin since FY18. The Board of Trustees has issued a requirement that all campuses meet or exceed an annual operating margin of 2% beginning in FY25.

Operating Margin Trend



Operating margin in FY27 is is budgeted at 2%, with state appropriation increases offsetting Salary and Fringe increases, use of remaining ARPA funds ($1.1M) and targeted plans to reduce Non-Personnel spend. Operating Marging projected in FY26 as of Q3 is expected to be 2.0% with continued challenges in enrollment and expected usage of $4.9M in American Rescue Plan Act (ARPA) funds to meet the 2.0% target. FY25 had a 2.8% operating margin, while state support and the pricing sructure change are still driving positive results, enrollment challenges related to international and out-of state enrollment have reduced the level from the prior year. FY24 ended with a 3.9% margin mainly due to increases in Out-of-State enrollment and state support, as well as continuing impact from pricing structure change from the prior yearFY23 finished with a 2.9% operating margin, mainly driven by increased gross tuition resulting from structural pricing changes and state appropriation in excess of the budget..

Major Revenue Trends

Tuition & Fees

The campus has Board-approved annual tuition rates (applied at the per-credit level) based on career and residency. Tuition & Fees revenue is the product of tuition & fee rates and enrollment.

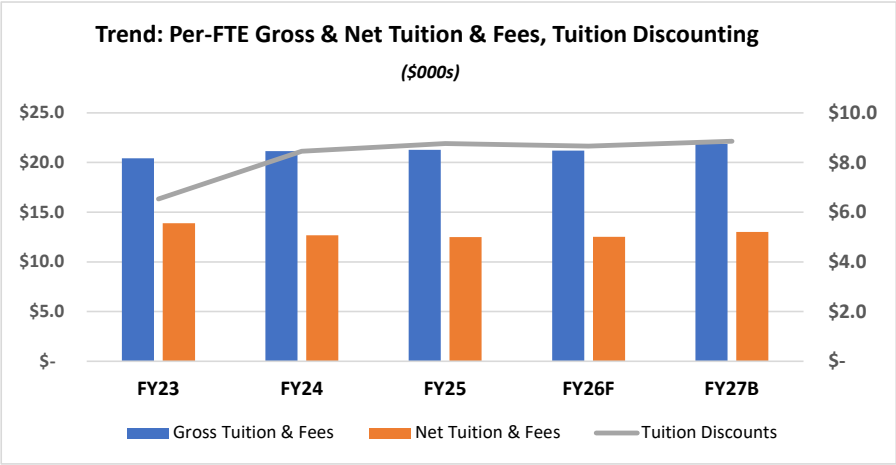
Annual Tuition and Mandatory Fee Rates $/FTE						
	Undergraduate			Graduate		
	Resident	Regional	Non-resident	Resident	Regional	Non-resident
FY23	$ 15,172	$ 26,078	$ 36,145	$ 19,499	$ 33,669	$ 37,484
FY24	15,535	26,711	37,211	19,971	34,496	38,406
FY25	15,908	27,363	38,125	20,455	35,343	39,351
FY26	16,568	28,437	39,375	21,250	36,659	40,614
FY27	17,136	29,411	40,356	21,774	37,568	41,622

Annual tuition rates for all students increased by 2.5% annually between FY23-FY25. In FY26, rates for all In-State and Regional have increased by 3.5% and for Out-of-State students 3.0%. The FY27 Tuition & Fee submission included an increase of 3.5% for Undergraduate In-State and Regional students and 2.5% for all other student groups. Mandatory fees increased for Student Activities and Technology during this same period, most notably and $100 increase to the technology fee in FY26.

	Actual				Budget
Students *(FTEs)*	**FY23**	**FY24**	**FY25**	**FY26**	**FY27**
Undergraduate	9,981	10,087	10,083	10,254	10,324
In-State	8,352	8,246	8,246	8,472	8,554
Out-of-State	846	998	1,001	1,033	1,062
International	597	683	639	563	520
Online Only	186	160	197	186	188
% Change	*1.7%*	*1.1%*	*0.0%*	*1.7%*	*0.7%*
Graduate	1,826	1,957	1,935	1,968	1,913
In-State	776	715	783	841	834
Out-of-State	274	261	309	323	315
International	731	846	728	569	532
Online Only	46	135	115	235	232
% Change	*17.4%*	*7.2%*	*-1.1%*	*1.7%*	*-2.8%*
Continuing Ed	1,048	1,044	1,072	897	897
In-State	151	184	193	231	231
Out-of-State	40	65	66	60	60
International	92	49	16	3	3
Online Only	765	746	797	603	603
% Change	*-34.2%*	*-0.4%*	*2.7%*	*-16.3%*	*0.0%*
Total	**12,855**	**13,088**	**13,090**	**13,119**	**13,134**
% Change	*-0.8%*	*1.8%*	*0.0%*	*0.2%*	*0.1%*

The CAGR for total student enrollment from FY23-26 is 0.7%, with most of the increase experienced between FY23 and FY24. Overall enrollment has remained relatively flat since FY24, however international enrollment has significantly declined, backfilled mostly by In-State students, keeping overall enrollment levels consistent. This trend of declining international enrollment is particularly challenging in FY26-27, while tuition increases are planned the mix shifts are resulting in stagnant tuition revenue that is not keeping up with inflationary cost increases.

Undergraduate enrollment will be challenging over the next decade with declining high school graduates projected nationally and international enrollment faces challenges related to changes in federal policy. These challenges are reflected in the FY27 budget with international enrollment budgeted to continue to decline. The inclusion of the tri-state area in the regional tuition rate beginning in FY26 is a tool being utilized to stabilize out-of-state domestic enrollment. The campus plans enrollment on a five-year basis as part of its five-year forecast to help assist with planning for these changes.



Gross Tuition & Fees revenue have remained relatively flat from FY23-26 (CAGR of 1.9%), FY27 is budgeted to grow 3.5% from FY26 levels. This increase is related to planned tuition increases, increases in fee levels related to special price programs, and a policy shift to bring summer tuition levels to match the per credit rate in the fall and spring for courses outside of special programs.

Net Tuition and Fees revenue per FTE remains relatively flat in FY24 through the FY27 budget. In FY23, it was slightly higher, but this is misleading and is driven by a few factors related to Tuition Discounting. Total discounting has increased due to restricted aid (additional State and Federal Pell grants) and in FY24, an accounting shift from Expenses to Revenue discounting under a new National Association of College and University Business Officers (NACUBO) standard. This is meant to more accurately display types of expense that are more appropriately designated as Tuition Discounts. Unrestricted (university-funded) Tuition Discounting has grown at a slower pace than gross tuition from FY23 to the FY27 budget than traditional growth levels due to due to increased restricted resources.

A change to the structure of tuition & fees to simplify student billing by rethinking Continuing Education (CE was implemented in the Fall 2022 semester (FY23). All online courses and many credit-bearing courses for matriculated students previously were categorized as CE which had different billing practices and lower rates. Changes included separating majority-online programs from individual online courses and applying consistent billing and pricing. The net effect is to allow students to take online courses as part of regular "day" school course loads at regular tuition rates while developing substantially online programs at market-rate pricing. Students also benefit from consistent course calendars and application of financial aid. The structure change can be seen in enrollment data in the shift from the continuing education section of enrollment into the Undergraduate and Graduate areas between FY22 and FY23. This effort extended to the Winter and Summer semesters. In these semesters, the Board of Trustee-approved pricing is applied to all non-substantially online program courses at 15% discount for Undergraduate courses and full-price for Graduate courses, in FY26 this 15% discount was reduced to 10% and in FY27 the budget reflects a removal of this discount.

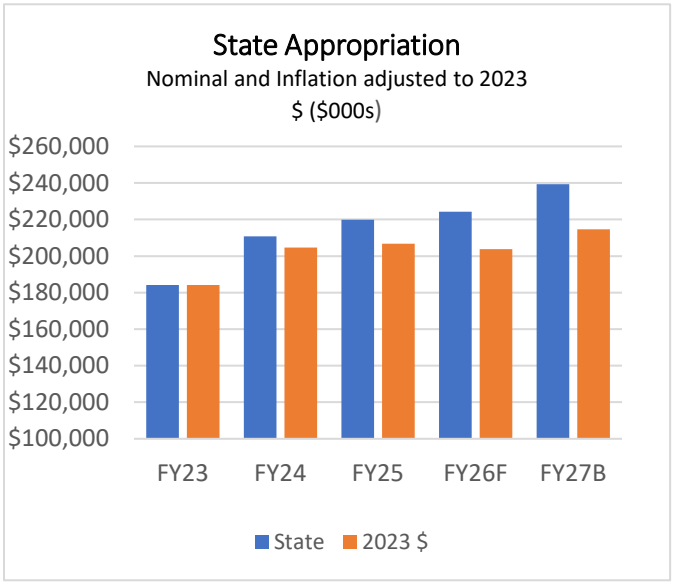
Grants

Grants' revenue forecast shows growth of $38M or 36% since FY23 as of the Q3 FY26 forecast. The increase in grants revenue can be attributed to an increase in all sources and types of grant funding including federal, state, private, and local grants, as well as research awards, private awards through University Advancement, and increased aid awards. State grants related to financial aid became a major source of growth, State Aid grew $11M from FY23 to FY25, Federal grants grew $10M and private grants grew $11M and local grants $4M in that time frame. All categories started declining in the second half of FY26, with federal and private grant revenue showing the most significant declines. FY27 is budgeted relatively flat to FY26 forecasted levels. This is an area that will need continued monitoring, as federal policy is impacting funding levels (direct impact to Federal Grants & Contracts, indirect relationship to other forms of grants and contracts funding). As of the time of this writing, research grant revenue trends are showing significant decline in Q4 FY26, that will likely result in missing the Q3 FY26 forecast, which was the basis for the FY27 budget. This will likely need to be revisited as part of the FY27 Q1 forecast, with a likely decline to budget.

The growth in Non-Operating Grants in FY25 and FY26 is attributable to Pell grants, as the income limits for qualifying for a maximum Pell award for students increased, we expect the Pell grants to remain steady in the FY27 budget.

State Appropriation

The Commonwealth of Massachusetts, through annual appropriation, covers the cost of most campus salary and fringe benefits. This is done by allowing most employee salaries to be paid with the "base" amount of state appropriated funds, whereafter, the cost of fringe benefits can also be applied, thus increasing the total amount of funding from the state. The campus annually uses all its base State Appropriation funding for salaries and therefore receives the value of fringe costs in addition.



State Appropriation revenue increased steadily in FY23-FY26, primarily driven by the cost of living and fringe rate increases, growing from $184M in FY23 to projected $224M in FY26, a $40M increase, or 22%.

FY24 included increases for collective bargaining at 8% and fringe rate adjustments from this new base level totaling $15.7M. Collective bargaining funds were provided at full annual impact levels, however salary increases were staggered in July and January (4% at each point), providing an increased revenue impact vs. expense than normally experienced.

In FY25, the cost-of-living allocation increased the base by $4.8M. Like FY24, this increase was annualized, while the implementation to payroll was dated half-way through the year in January, creating additional temporary positive operating leverage.

The FY26 Forecast includes a funding increase of $6.5M to support two salary increases of 2.0% and 2.25% for step and non-step employees, respectively, in July and January. Fringe rates are forecasted to decrease in FY26 to 38.53%, from 42.63% in FY25, which lowers the fringe impact of both state appropriation and Payroll expense. There is also one-time ARPA funding forecasted in FY26 of $4.9M. (see Fiscal 2026 Budget section below for more information related to ARPA)

The FY27 budget includes collective bargaining of 2.25% in July and January as well as an increase in fringe rate from 38.53% to 43.9% and includes one-time ARPA funding of $1.1M.

Major Expense Trends

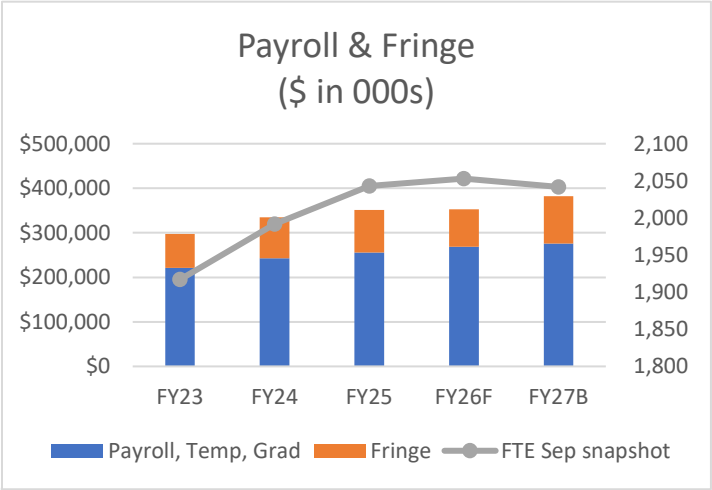
<u>Payroll & Fringe</u>

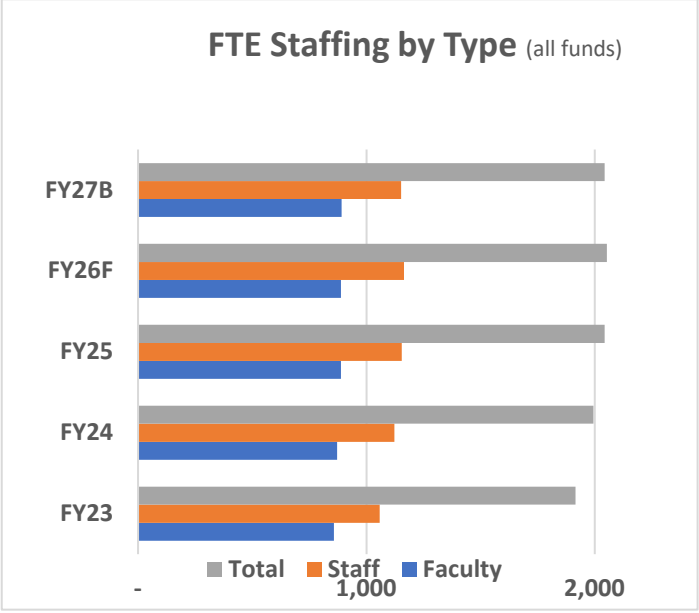
FY23 marked the return to campus after the covid lockdown. FTE grew over the next couple of years as vacant positions were filled and grant activity grew.

From FY23 through FY25, payroll and fringe rose due to cost-of-living and fringe increases, growth in restricted (grant-funded) employment, normalization of non-benefited payroll levels post-pandemic, and lower vacancy savings compared to pandemic years.

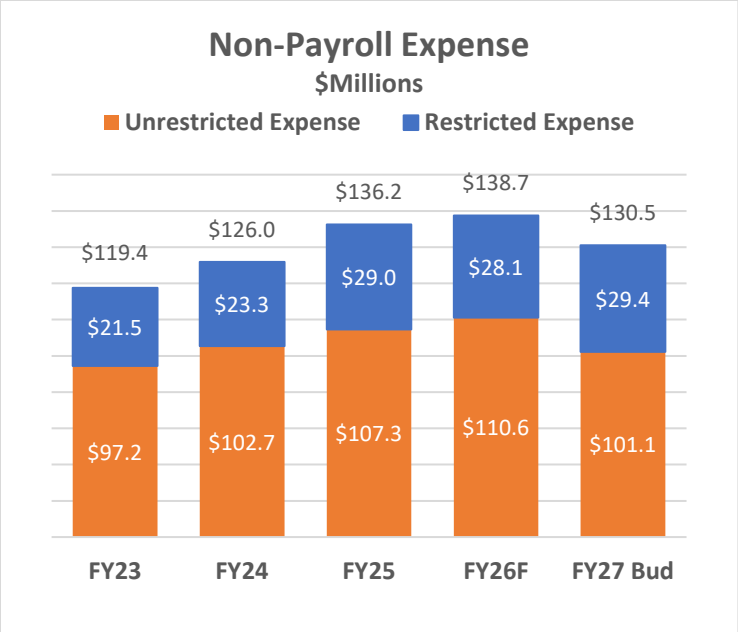
The FY26 Q3 projection reflects continued trends: lower vacancies, cost-of-living increases (2.25% biannually), and a fringe rate decrease from FY25, FY25 Fringe rate 42.63% vs. FY26 rate 38.53%.

The FY27 budget holds vacancy assumptions steady with recent history and includes two cost-of-living increases of 2.0% and 2.25% for step and non-step employees, respectively. The fringe rate is budgeted to increase in FY27 to 46.83% (includes "small fringe") from 38.53% in FY26 based on parameters from the state.





Non-Payroll Expense

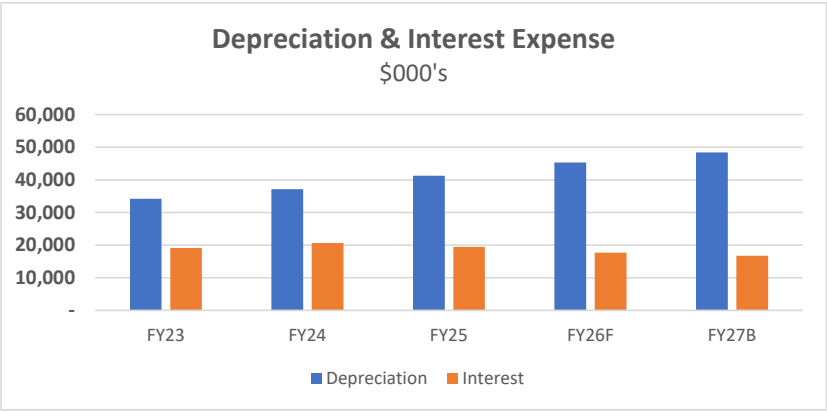


Non-Payroll expenses decreased significantly during COVID years but bounced back with strong inflationary pressure exceeding pre-COVID levels. During FY23-25, there were new investments in marketing, enrollment partnerships (Shorelight), master planning consultants, and initiatives related to the strategic plan, as well as several significant renewed service contracts during the same period including custodial and bus contracts. Restricted spending grew significantly from FY24 to FY25 matched by corresponding restricted revenue increases. There was also an increase of $5.0M in unrestricted expenses between FY24-FY25 which is comprised of several smaller unrestricted expense items including $1.4M in Utilities, $1.4M in Central Assessment, and strategic investments of $0.8M (Spruce-Ups, Signage, Grand Scholarly Challenges, etc.). Non payroll expense is forecasted to grow $3M in FY26 with $0.9M in hardware to address windows security, $0.5M in campus moves/hoteling, $0.5M student aid, $0.4M in increased central assessment and the remainder spread out in inflationary increases on larger contracts including cleaners, Security and food services.

UMass Boston is budgeting FY27 unrestricted non-payroll expense lower in response to declining enrollment and tuition revenue. Unrestricted non-payroll expenses are expected to decline by $9M through a combination of cost-reduction initiatives. These include a $2.5M discretionary spend reduction, with most units targeting a 5% reduction through actions such as lower travel and meeting costs and reduced vendor scope. Additional savings include $1.5M in Utilities, driven by investments that are expected to reduce ongoing spend; $1.0M in research infrastructure expenditures currently being paid by general operating funds; $0.9M in consulting, including Shorelight International enrollment; $0.8M in lower hardware spend; and $0.7M in lower financial aid.

Depreciation & Interest

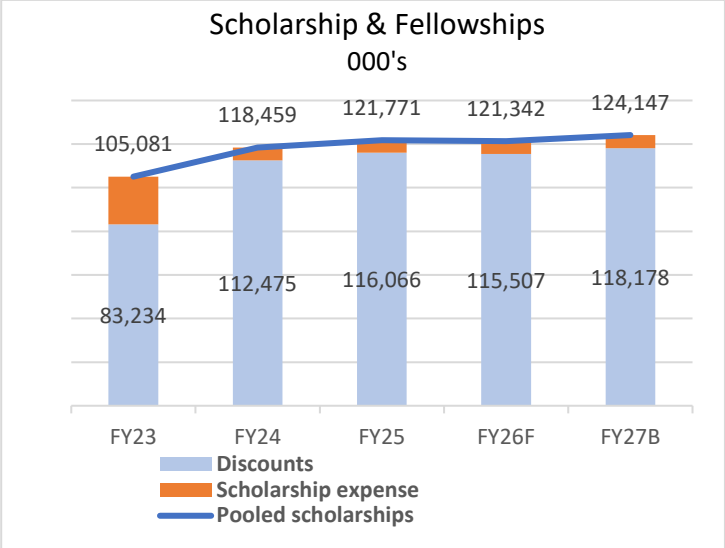
Depreciation expense has been increasing vs. historical levels due to the completion of the 2009 capital master plan and a concerted effort by the campus to address deferred maintenance, health/safety, and compliance related issues on campus.

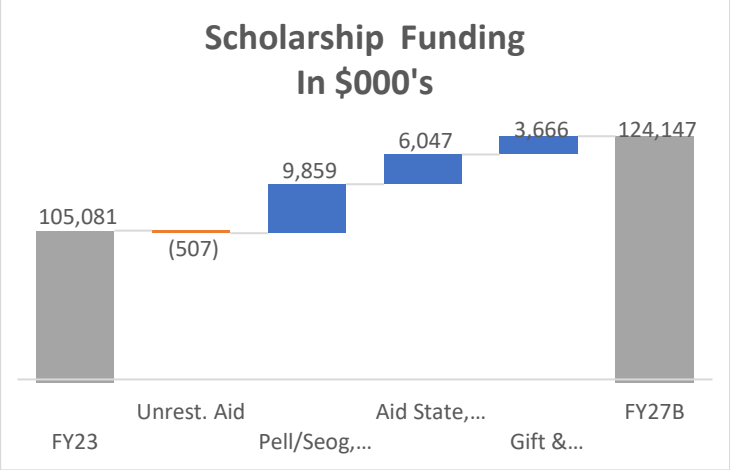


In FY24, the Substructure Demolition/Quadrangle Development (SDQD) project was completed and added first year depreciation (1/2 year) of $2.5M. This is the last remaining project from the 2009 capital master plan. FY25 includes the first full year of depreciation for SDQD ($5.0M) and the start of the new Master Plan begins. In the FY26 forecast and FY27 Budget, Depreciation also continues to grow as projects related to deferred maintenance, compliance, IT infrastructure, and instruction currently in progress enter their completion phases.

Scholarship & Fellowships

Scholarship & Fellowship activity is allocated between scholarship expense and tuition revenue discounting. The significant reduction in Scholarship expense post FY24 is driven by a required change from the Governmental Accounting Standards Board (GASB), GASB 35, which reclassified a portion of scholarships expense to tuition and auxiliary revenue discounting effective in FY24. This new treatment is meant to more accurately display the types of expense that are better characterized as tuition discounts. The impact of the change results in 90-95% of scholarship activity moving to tuition revenue discounting. The overall Scholarships Pool (prior to the expense vs. discount reallocation) grew $19M/8% since FY23, largely driven by Pell Grants and State Grants.





FY26 Budget vs. Projection

The FY26 budget was developed based on prior-year trends, System Office assumptions, the campus strategic plan, and ongoing efforts to manage expenses and grow revenue. The FY26 budget, covering the 12 months ending June 30, 2026, was planned with a 2% operating margin, equivalent to $11M. This margin is expected to be achieved, supported by offsetting shifts between revenue and expenses. Both revenue and expenses are projected to exceed budget expectations by approximately $1.5M

FY26 revenue is projected to exceed budget by $1.5M with favorability in Non-operating Income $2.7M partially offset by Operating income -$1.2M. Investment income is driving the non-operating performance while the Operating declines are fueled by the enrollment mix shifting toward lower rate In-state students.

FY26 expenses are projected to be unfavorable to budget by -$1.5M, with reduced churn/vacancy in salaries -$3.9M and non-payroll -$2.9M, partially offset by depreciation savings from slower than planned capital additions of $3.2M. and interest expense lower by 1.8M driven by commercial paper debt pay-off.

FY26 Projected vs. Budget

($ in Thousands)

	Budget	Projected			
	FY26	**FY26**	**$ CH.**	**% CH.**	**Notes**
Gross Tuition & Fees	283,924	278,025	(5,899)	-2.1%	International/Out-of-State Enrollment Mix
Tuition Discounts	(117,912)	(113,647)	4,265	-3.6%	Lower Unrestricted Aid
Discount Rate	*41.5%*	*40.9%*			
Net Tuition & Fees	166,012	164,377	(1,634)	-1.0%	
Grants	100,938	100,633	(305)	-0.3%	Reduced Research and Aid
Sales & Service, Educational	3,075	2,863	(212)	-6.9%	
Auxiliary Enterprises	14,547	14,463	(84)	-0.6%	
Other Operating	3,108	4,148	1,040	33.5%	Bayside Fee
Operating Revenue	287,680	286,485	(1,195)	-0.4%	
State	224,270	220,542	(3,728)	-1.7%	CoL adjustments
Other Non Operating	58,290	64,714	6,424	11.0%	Investment Income $3M, Gifts $1.6M, Aid $1M
Non-Operating Revenue	282,560	285,256	2,696	1.0%	
Total Revenues	**570,240**	**571,741**	**1,501**	**0.3%**	
% Growth					
Salary & Fringe	348,684	352,672	3,988	1.1%	Lower vacancy/churn
Non-Personnel	135,769	138,765	2,996	2.2%	Inflationary pressure
Scholarships & Fellowships	6,381	5,835	(546)	-8.6%	
Depreciation	48,501	45,345	(3,156)	-6.5%	Lower than planned capitalizations
Interest	19,500	17,689	(1,810)	-9.3%	Commercial paper pay off
Total Expenses	**558,836**	**560,307**	**1,471**	**0.3%**	
Surplus / (Deficit)	**11,404**	**11,434**	**29**	**0.3%**	
UMass OM Calc	**2.0%**	**2.0%**			

Revenue

Net Tuition & Fees are projected to fall short of budget by $1.6M, driven by less favorable enrollment residency mix. Out-of-State and International students are expected to fall short of the budgeted FTE but increased In-State student FTEs filled that shortfall, keeping overall FTEs flat. Out- of-State tuition rates are much higher, leaving a shortfall in tuition revenue. Tuition discounting is lower than budget with less unrestricted aid, partially offsetting the tuition decline.

Other Operating Revenue has projected budget favorability of $1M for buyer fees related to the delay in the Bayside development project.

Projected State Appropriation is unfavorable -$3.7M, primarily driven by lower than budgeted ARPA usage (originally $7.7M).

Other Non-operating Revenues are projected to exceed the budget by $6.4M due to increased investment returns $3M, Gifts $1.6M and Aid $1M.

Expense

Unrestricted non-payroll is anticipated to be higher than budget and includes strategic one-time investments (spruce-ups, computer replace, ADA consultant) offset by lower Shorelight contract fees due to reduced international enrollment and utilities savings.

Salary & Fringe are projected to exceed the budget due to lower vacancy and increased tenured faculty FTE. The budget assumes steady vacancies, but the current job market conditions find vacant positions filled very quickly reducing savings for unfilled positions.

Interest expense will be favorable to budget primarily driven by debt pay-off of commercial paper.

Depreciation expense is projected to be under budget, reflecting delays in the completion of some planned capital projects, updated assumptions from UMBA, and lower than planned capital equipment expenditures.

Fiscal 2027 Budget

The annual operating budget development process consists of high-level assumptions for revenue and expense growth based on historical trends, intelligence gathered related to current operations and strategic investment initiatives, while incorporating strategies and solutions required to achieve the target. Priorities of this budget are also driven by the campus' Strategic Plan, Campus Master Plan and Energy and Carbon Master Plan.

The FY27 budget was developed with guidance and targets for departments that support finishing the year with the required 2% operating margin ($11.9M).

The FY27 Budget reflects a revenue increase of $24M (4%) alongside a corresponding $23.7M increase in expenses compared to the Q3 FY26 forecast. The primary contributor to revenue growth is State Appropriations $18.8M due to Cost-of-Living (CoL) allocation and an increased fringe rate. Gross Tuition & Fees are projected to increase $9M, or 3.2%, fueled by rate increases of 3.5% for undergrad in-state and regional students, 2.5% for all other student groups, increases in special program pricing, and removal of the 10% per credit rate discount for undergraduate regular courses in the Winter/Summer. This is slightly offset by continued decline of international student mix.

Grants' revenue is budgeted flat with risk to decline further. State appropriation revenue is budgeted to grow $18.8M (8.5%) due to significant fringe rate increases $15M (43.9% in FY27) and funding to support cost-of-living adjustments. Other non-operating revenue is budgeted to decline by $3.6M, with reduced Interest income driven by assumed lower rates of return.

Budgeted expenses for FY26 are projected to rise by $23.7M (4.2%). Salary and Fringe is budgeted to increase $29.7M over the FY26 Q3 Forecast, the fringe rates are driving the bulk of this at $19M, and Cost of Living Adjustments the remainder. Depreciation is expected to grow $3.0M due to planned capital investment in deferred infrastructure and compliance related projects. Non-payroll is budgeted $8.2M lower than the FY26 Forecast with targeted savings plans $4.4M, lower utilities $1M, Shorelight consulting fees $0.9M, $2M drop in FY26 expense that will not happen in FY27 (hardware replacement program and reduced spruce ups). The major components of the targeted savings plans include a $2.5M solution based on a 5% reduction in general operating targets planned by operational area, and increased usage of indirect research returns of $1.1M to fund existing research infrastructure costs, $1.0M in budget relieving endowment usage, $0.7M resulting from graduate assistantship changes, instructional cost efficiencies, in addition to some smaller strategies.

5-Year Trend

($ in Thousands)

				Projected	Budget		
	FY23	FY24	FY25	Q3 FY26	FY27	$ CH.	% CH.
Gross Tuition & Fees	$ 262,621	$ 276,606	$ 278,384	$ 278,025	$ 287,044	9,019	3.2%
Tuition Discounts	(83,923)	(110,573)	(114,678)	(113,647)	(116,275)	(2,628)	2.3%
Discount Rate	*32.0%*	*40.0%*	*41.2%*	*40.9%*	*40.5%*		
Net Tuition & Fees	178,698	166,033	163,706	164,377	170,769	6,392	3.9%
Grants	74,643	93,422	103,141	100,633	103,855	3,222	3.2%
Sales & Service, Educational	2,446	2,580	2,635	2,863	3,036	173	6.0%
Auxiliary Enterprises	14,519	13,116	14,188	14,463	14,649	186	1.3%
Other Operating	3,091	7,254	3,524	4,148	3,256	(892)	-21.5%
Operating Revenue	273,396	282,405	287,195	286,485	295,565	9,081	-7.1%
% Growth	9.5%	3.3%	1.7%	-0.2%	3.2%		
State	184,083	210,820	219,841	220,542	239,344	18,802	8.5%
Other Non Operating	48,776	52,035	62,386	64,714	61,020	(3,694)	-5.7%
Non-Operating Revenue	232,859	262,855	282,227	285,256	300,364	15,108	5.3%
% Growth	-1.5%	12.9%	7.4%	1.1%	5.3%		
Total Revenues	**506,256**	**545,260**	**569,422**	**571,741**	**595,930**	**24,189**	**4.2%**
% Growth	4.1%	7.7%	4.4%	0.4%	4.2%		
Salary & Fringe	297,569	334,492	351,039	352,672	382,376	29,703	8.4%
Non-Personnel	119,439	125,965	136,234	138,765	130,520	(8,245)	-5.9%
Scholarships & Fellowships	21,159	5,984	5,705	5,835	5,969	134	2.3%
Depreciation	34,196	37,172	41,251	45,345	48,395	3,050	6.7%
Interest	19,094	20,633	19,450	17,689	16,751	(939)	-5.3%
Total Expenses	**491,458**	**524,246**	**553,679**	**560,307**	**584,010**	**23,703**	**4.2%**
% Growth	2.0%	6.7%	5.6%	1.2%	4.2%		
Operating Margin							
Surplus / (Deficit)	**14,798**	**21,014**	**15,743**	**11,434**	**11,919**	**486**	**4.2%**
UMass OM Calc	**2.9%**	**3.9%**	**2.8%**	**2.0%**	**2.0%**		

FY27 Budget Revenue Assumptions (compared to FY26 Q3 projections)

Net Tuition & Fee Revenue ($170.8M, +$6.4M/+3.9%)

Gross Tuition & Fees are expected to increase in FY26 by $9.0M, or 3.2%. Net tuition revenue is expected to increase by $6.4M or 3.9%.

Tuition & Mandatory Fee Rates

Tuition rates are budgeted to increase for all student groups; 3.5% for all undergraduate in-state and regional students; and 2.5% for all other students. Special programs pricing underwent review as part of the FY27 budget process with increases across the board to account for cost inflation and market competitiveness. Previously winter and summer semester was priced with a 10% discount for undergraduate students in regular courses, this discount is budgeted to be removed in FY27.

Enrollment

Enrollment is budgeted relatively flat with FY26 at a 0.1% overall increase. However, there are significant mix changes that have a negative impact on revenue. Undergraduate international enrollment is budgeted to decline -7.6% and graduate international enrollment is budget with a decline of -6.5%. International students are the highest net paying student group and while other student groups make up for this decline in terms of raw FTE, revenue has a negative enrollment impact that partially offsets the increases expected due to tuition and fee changes.

State Appropriation Revenue ($239.3M, +$18.8M/+8.5%)

State Appropriation revenue is planned to increase $18.8M or 8.5%. At the time of approval of this budget, the state budget had not been approved, and revenue was planned to use System Office parameters for the state appropriation. Assumptions for state appropriation revenue will be reviewed at the end of the first quarter of FY27.

This increase is due to the following changes:

- Collective Bargaining increase pro-rated for two Cost of Living increases in July and January of 2.0% and 2.25% for step and non-step employees, respectively
- A change in the fringe reimbursement rate from 43.9% in FY27 from 36.8% in FY26
- ARPA usage in FY27 is budget at $1.1M

Grant & Contract Revenue ($103.9M, $3.2M/3.2%)

Grant & Contract revenue is budgeted based on conservative estimates from the Office of Research and Sponsored Projects (ORSP) and recent grant trending. Grants and Contracts performance has significantly increased in FY23-FY25 compared to what was originally budgeted. FY26 has seen this trend slow and FY27 budgeted levels are closer to FY25 actual. This is an area of risk that will need to be monitored beginning with the Q1 forecast process. After the budget submission grant performance in the second half of FY26 slowed significantly, making monitoring increasingly necessary in execution of the FY27 budget.

Sales & Services, Educational ($3.1M, +$0.2M/+6.0%)

Sales & Services, Educational revenue is mostly planned flat with FY26 projection and considers individual inputs from the budget process.

Auxiliary ($14.6M, +$0.2M/+1.3%)

Auxiliary revenue is mostly planned flat with the FY26 projection and considers inputs from the budget process, including projected enrollment. The largest revenue streams in this category are Parking and Dining revenues traditionally accounting for ~85% or more of the revenue.

Other Operating Revenue ($3.3M, -$0.8M/-21.5%)

In most cases other operating revenue is budget flat with the FY26 projection, with the removal of one-time activity in FY26 that includes a fee for the Dorchester Bay City deal in Q1 FY26.

Other non-operating Revenue ($61.0M, -$3.7M/-5.7%)

Other non-operating revenue is budgeted for a decline, driven by Investment Income with lower anticipated rates of return on investments. The other non-operating revenue category is made up of Gifts, Investment Income, Endowment, and Non-Operating Federal Grants. Endowment and Investment Income are planned based on assumptions provided by the President's office. Gifts revenue is planned with inputs from University Advancement and is commensurate with recent experience. Non-Operating Federal Grants are budgeted with guidance from Financial Aid.

Fiscal 2026 Budget Expense Assumptions

Payroll & Fringe ($82.4M, $29.7M/+8.4%)

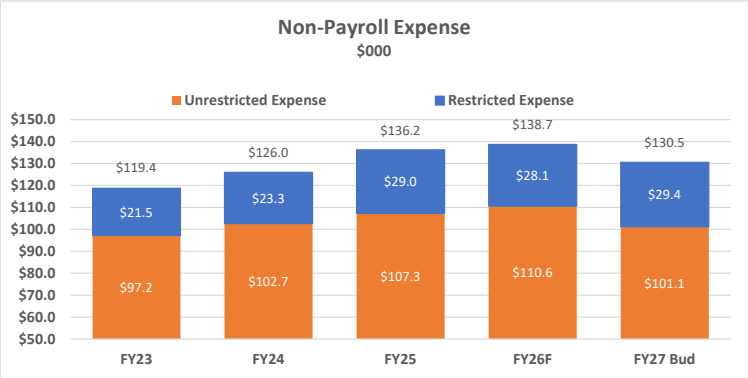
Fiscal Year 2026 COLA guidance from the President's office, based on state-issued parameters, calls for two increases of 2.0% and 2.25% for step and non-step employees, respectively, dated July and January for employees who receive step increases and for employees who do not, respectively.

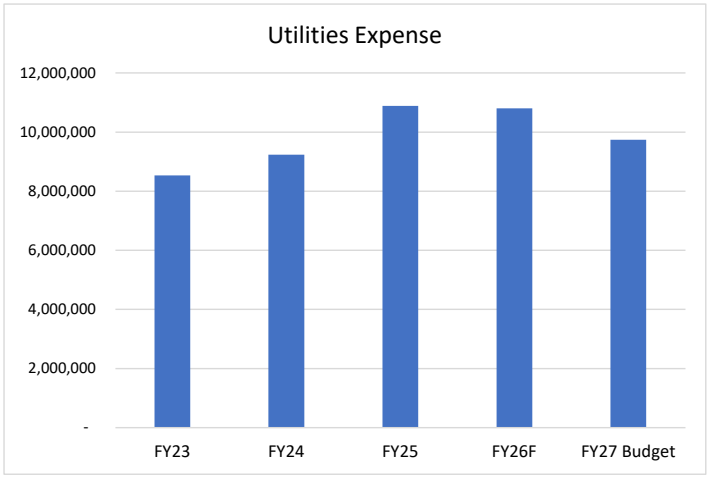
Fringe rate assumptions, as set forth by the state Comptroller's Office, include an increase in the full fringe (big & little) from 38.5% in FY26 to 46.8% in FY27

Staff FTEs are budgeted based on FY26 vacancy rates as of Q3 with adjustment built in for normal seasonality of hired positions in the Fall to Spring cycle. The trend since the pandemic of lower vacancy rates continued in FY26 and will be monitored throughout FY27.

Non-Personnel ($130.5M, -$8.2M/-5.9%)

The FY27 non-personnel decrease is driven by strategies to reduce spending in FY27: 5% reduction in general operating funds, better utilization of indirect research return to cover overhead expenditures and other smaller strategies. There are also reductions in one-time expenses related to strategic investments that occurred in FY26 that are no longer planned in FY27 (spruce up projects, computer replacement, ADA consultant). Finally, expenses related to Shorelight consulting are expected to decline due to lower international enrollment and reductions in utilities are expected related to rate negotiations and increased activity in net solar credits.





Depreciation & Interest ($65.1M, +$2.1M/+3.3%)

Depreciation expenses are derived by using depreciation schedules from the UMass Building Authority (UMBA) and layering on locally managed depreciation schedules. UMBA keeps the depreciation schedule for larger bond-funded projects managed on behalf of the campus. Local (non-UMBA) depreciation cost is calculated by using the existing local asset schedule and assuming, based on the approved capital plan, amounts for new assets that will be put in service during the year. Major local additions anticipated in FY27 are focused on deferred maintenance, building improvements, and compliance/safety projects. Total depreciation is $48.4M based on these assumptions and is driving the increase.

Interest expense is derived by UMBA existing debt schedules. The FY27 budget assumes no new long-term borrowing. Savings in interest are expected related to debt pay-off of commercial paper in FY26 that will have a full year impact in FY27.

FY27 Budget Strategies & Solutions

The FY27 Budget has a planned net operating margin of 2%, or $11.9M, meeting requirements laid out by the President's office. In both FY26 and FY27 budget the campus is relying on one-time ARPA funds to achieve this 2.0% requirement. In the FY27 budget the remaining ARPA funding level is lower than FY26 at $1.1M. This means that beginning in the FY27 budget and beyond operational changes are needed to ensure the campus meets the 2% margin requirement. Strategies must be implemented during FY27 to position the campus for sustained financial success. Operating revenue is sensitive to external factors outside of campus control and future indicators are leaning in a negative direction – student demographics, international students, grant funding, and federal policy. The campus will need additional long-term strategies, while monitoring tuition and state appropriation revenue, to ensure achievement of the required 2.0% operating margin in future fiscal years. Additional details of strategies and solutions in FY27 follow:

<u>One-Time Strategies & Solutions</u>

The campus will utilize one-time ARPA money in FY27. Utilization of these funds appears in State Appropriation revenue.

<u>Permanent Strategies & Solutions</u>

The campus will continue to assess the possibility of new or increased revenue from all sources. Much has been done on the structure of tuition & fee revenue over the past few years, and the campus continues to develop support for students to understand and plan for the cost of college in efforts to minimize unpaid/past due balances. Implementation of an eCommerce platform in FY25 enabled easier non-student payments for sale of educational and auxiliary services. We look to expand the student base and revenue through developing non-degree educational offerings aimed at employees and the community at large.

In FY26, the Provost's Office initiated a new process for reviewing graduate student stipends and waivers to align financial support for Graduate Assistants and provide meaningful opportunities for learning and professional development in ways that will contribute to the recruitment and retention of successful graduate students as part of the campus' priority on Holistic Student Success and its commitment to responsibly steward institutional resources in support of our mission. As part of these efforts, the campus is better aligning resources through the Office of Graduate Studies with specific activities and is clarifying institutional policy regarding the funding of graduate assistantships. Beginning in FY26, stipends funded from unrestricted funds outside of the Graduate Studies department were required to fund the waivers associated with these students. In FY27 appointment of graduate assistants on general funds outside of Graduate Studies will no longer be permitted, budget areas are expected to find external funding to cover the costs of the assistantships.

Course scheduling efficiency from the FY26 budget continues in FY27. FY27 budget includes continued development of a course scheduling process that will be centered on student need and a path to graduation, using information from student degree audits. More efficient course scheduling is planned to result in reduced cost of instruction. The new AAA dashboard, powered by data from Heliocampus, will allow for better efficiency in course scheduling to meet the demands of students and will also provide insight into course load reductions for faculty.

Shifting to the use of endowment funds for allowed operating expenses, rather than general funding sources, relieves the general funds budget and is a strategy to provide ongoing cost savings. The focus is on employee salaries and financial aid; these shifts would be made on a permanent basis, and the

unrestricted expense savings would be realized in future years as funding continues. In FY27 there is anticipated to be an additional $1.0M in revenue vs. FY26, the campus is committed to utilizing these funds by shifting existing expenses to these new revenue sources.

The campus also is implementing a 5% reduction across the board in general operating budgets, compensated absences review, reorganization efforts, shift of research overhead expenses to indirect research revenue, temporary non-benefitted employment review, and more.

The development and implementation of the Beacon Budget Model will also provide a level of transparency, accountability, and incentive for the colleges to grow and support student success while enhancing operational efficiency.

Key Campus Ratios

Ratios can be used to quantify an organization's financial health and compare it to others. Reported to the Board of Trustees regularly, the key budget ratios below help measure financial performance.

Boston campus key ratio performance:

- The campus' **operating margin** has been 0.9% or higher every year since FY21. The Board of Trustees has required campuses to have a 2.0% operating margin by FY25 and tracking this ratio on a multiyear basis measures progress toward that goal.
- The Board of Trustees policy limits campus **debt service burden** to 8%. The campus has been able to meet this requirement consistently since FY21 but does need to keep this limit in mind as future capital planning takes place.
- **Financial Leverage**. This ratio has continued to improve since FY21.
- **Cash & Investments to Op Expenses:** Continues to improve with positive margin performance and growth in cashflow.
-

Campus key ratios, FY23-24, FY26 Projected and FY27 Budget: Key budget ratio definitions and calculation methods:

Key Ratio	Description	Calculation
Operating margin	Indicates the excess margin (or deficit) by which annual revenues cover annual expenses (excluding unrealized gains or losses)	Total revenues – total expenses / Total revenue
Operating cash flow margin	Measures net income (before non-cash expenses) relative to operating revenue	(Total revenues –total expenses) + depreciation + interest / Total revenues
Debt service burden	Compares the relative cost of borrowing to overall expenditures	Debt service (P&I) / Total expenses
Debt service coverage	Measures the ability to make debt service payments from annual operations	(Total revenues –total expenses) + depreciation + interest / Debt service (P&I)
Financial leverage	Measures the ability to repay bondholders from wealth that can be accessed over time or for a specific purpose	Cash & investments / (Total LT Debt + Outstanding CP/LOC + Leases + P3 + Adjusted Net Pension Liability)
Total cash & investments to expenses	Measures the extent to which the University can rely on wealth to meet expenses over time	Cash & investments / Total Expenses

	Actual			Q3 Fcst	Budget
Key Ratio	**FY23**	**FY24**	**FY25**	**FY26**	**FY27B**
Operating Margin (%)	2.9%	3.9%	2.8%	2.0%	2.0%
Operating Margin ($)	*14,799*	*21,013*	*15,743*	*11,433*	*11,919*
Operating Cash Flow Margin (%)	13.1%	13.7%	12.4%	11.7%	12.3%
Operating Cash Flow Margin ($)	*62,946*	*73,315*	*69,290*	*65,002*	*71,649*
Debt Service Burden (%)	6.6%	7.0%	6.0%	5.9%	5.6%
Debt Service Coverage (x)	1.9	2.0	2.1	2.0	2.2
Financial Leverage (x)	*0.47*	*0.56*	*0.69*	*0.69*	*0.72*
Total Debt ($ in thousands)	*609,906*	*612,853*	*595,871*	*543,492*	*523,880*
Total Cash & Investments to Op Expenses (x)	0.61	0.67	0.75	0.67	0.65

Conclusion

The FY26 Budget is planned to end the year with a surplus of 2% Operating Margin in compliance with the requirement set by the Board of Trustees. One time stimulus funds are supporting greater than half of that margin and will not be available in future years. Attaining the 2% margin requirement in FY27 and beyond requires revenue growth and strong expense management.

The FY27 budget will be reviewed after Q1 upon completion of the State budget and final enrollment counts in September and monitored quarterly for adherence to benchmarks.

In the fall, the campus, along with the other campuses, will submit a 5-year forecast (FY28-32) as well as a multi-year capital plan to the System Office for review and discussion and Board of Trustees approval.

University of Massachusetts Boston

Kathleen Kirleis, Vice Chancellor of Administration & Finance
Chris Giuliani, Associate Vice Chancellor of Administration & Finance
Matthew Krevis, Director, Office of Budget & Financial Planning
Teresa Chiba, Deputy Director, Office of Budget & Financial Planning
Jenny Lui, Senior Budget Analyst, Office of Budget & Financial Planning
Samuel Gargaro, Senior Budget Analyst, Office of Budget & Financial Planning