

SPECIAL REPORT
of the
PROGRAM AND BUDGET COUNCIL
concerning
A REPORT ON FACILITIES

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Program and Budget Council Report on Facilities

March 1, 2007

Introduction - This is a summary report of the findings of the Program and Budget Council for fall 2006 and early spring 2007 on the current state of UMass Amherst facilities. We discuss the impact of facilities needs on the UMass Amherst budget, the Amherst 250 plan, and the effectiveness of faculty research and teaching.

Body of Report - Currently, UMass Amherst has an approved \$710 million capital plan in place for five years, FY07-FY11. This plan budgets funds to be used for new construction, renovation, deferred maintenance, code issues, property purchases and information technology. The campus will be responsible for self-funding nearly 90% of this cost either by (1) direct outlays (\$110 million) from general operating funds, which come primarily from mandatory student fees and auxiliary revenue from room and board fees; or by (2) repaying the \$522 million of debt the campus has borrowed for this capital plan. The remaining funding will come from two sources: (1) Capital Campaign of \$8 million (the amount of capital from external fundraising is pretty modest; we are told this amount only includes funds committed to date); (2) estimated State funding of \$70 million (presently, we are getting only about \$10 million from the State annually).

For the current 5-year capital plan of \$710 million, the University is going to borrow 74% (which the campus is responsible for repaying) and the campus is going to fund another 15%. The state is projected to supply about 10% of the funds, and 1% of the funds is obtained through fundraising. Since most of the funds are going to be borrowed, the debt burden ratio of the Amherst campus will increase from the current 3.9% of annual expenses to about 6.5% of annual expenses in fiscal 2009. The Council is concerned that the additional debt servicing and the use of campus funds for repairs and building renovations will deplete resources for research and hiring new faculty. Moreover, even after spending \$710 million on new construction and repairs, the total building repair needs will be an additional \$1.367 billion.

The estimate of facilities and deferred maintenance needs (\$1.367 billion) beyond the current 5-year plan was provided by Sightlines Facilities Asset Advisors, which has done an in-depth study of our campus facilities needs (space and deferred maintenance). Unfortunately, the State has no commitment to take care of the deferred maintenance needs on the Amherst campus or in fact any other state campus. Moreover, until recently, the State did not even permit the University to borrow money for this purpose. It is clear that deferred maintenance must be dealt with, or the problem will continue to escalate. If the campus were to self-finance the additional facilities and deferred maintenance needs, the debt burden would increase by \$116 million per year, rising to 22% of annual expenses. This is an unrealistic number, and it has been rejected as a viable solution. Borrowing at this level will deplete research funds, funds available for hiring new faculty, etc. Moreover, it would be difficult to find a financial institution that would lend money to the University if the debt burden ratio were this high. As a comparison, the average additional debt burden that comparable universities would need to take on to eliminate their deferred maintenance backlog is less than 2%. Clearly, the Program and Budget Council is gravely concerned about our future if we cannot obtain State funds to move us from this impasse.

The results of the Sightlines study, released this year, showed that the **immediate backlog** in deferred maintenance in the next 2 to 3 years is about \$77M. Unfortunately, this \$77M of deferred maintenance is not included in the \$710M 5-year capital plan. The magnitude of the deferred maintenance problem motivated the administration, in early FY 07, to take \$4M, on an annual basis, of the funds which would have been allocated this year (FY 07) to the Amherst 250 Plan (about two thirds of the \$6.4M available). The number of new faculty to be hired with FY 07 Amherst 250 funds would be reduced to about 20 vs. the annual projected allotment of 50. The \$4M can leverage, through borrowing, \$40M to begin dealing with the deferred maintenance problem. However, the \$40M is only part of the \$77M immediate problem, so that we might look forward to further incursions into future allocations of Amherst 250 funds.

Fortunately, in early 2007 several positive developments have affected the allocation to the Amherst 250 Plan. First, \$2.5M, on an annual basis, of the additional revenue generated from having a richer mix of out-of-state undergraduate students will be allocated to finance the next phase of the campus' planned capital improvements. This influx of funds will, in turn, free up \$2.5M of the original \$4M allocated in early FY 07 for deferred maintenance issues. The \$2.5M has been returned to the FY 07 Amherst 250 plan and has been allocated for new faculty positions and enhanced student advising. The bottom line is that 45 new faculty positions are now allocated for this fiscal year (2007), compared to 20 positions budgeted in early FY07. Second, the state has recently allocated \$30 million to address emergency repairs (health and safety), thus reducing some of our most urgent deferred maintenance needs.

Conclusions - The impact of the 5-year facilities plan and the immediate backlog in deferred maintenance is a **major** issue for the faculty. Facilities and deferred maintenance issues could spell the end of the Amherst 250 Plan unless we find relief from other quarters. This year, about one fourth of the funds, which might have been allocated by the campus for the Amherst 250 Plan, are going to deal with deferred maintenance. The ratio could be higher for next year. The balance of expenditures for facilities vs. hiring new faculty under the Amherst 250 plan must be dealt with, and our Council will continue to monitor the situation. It is clear that, without a determined, successful effort to restore the size of the tenure-track faculty from the current 950 to a number approaching 1200, the faculty will be crippled in carrying out its responsibilities for nationally competitive teaching and research, and the institution will lose ground in the national rankings.

* The Council acknowledges the help and openness with which the offices of Administration and Finance and the Provost provided detailed information and worked with the Council.

MOVED: That the Faculty Senate approve the Report on Facilities, as presented in Sen. Doc. 28-07 No. 07-027.