

HOLYOKE COMMUNITY COLLEGE
FINANCIAL OUTLOOK
FY 2016 – FY 2020
DRAFT 11/12/14

Introduction

Holyoke Community College's traditional mission to provide high quality, affordable educational opportunities to the Pioneer Valley continues to grow in importance. Throughout the nation, community colleges have been called upon to fill an education and skills gap that is impeding economic growth and limiting economic mobility. In the Pioneer Valley, HCC plays a vital role as an accessible gateway to higher education and career advancement.

The college is filling this role in a rapidly changing environment. Fluctuations in state support have forced changes in the makeup of the institution's revenue base. The region's economy continues to evolve and with it the mix of job opportunities available to HCC graduates. Demographic changes have prompted the college to renew its commitment to serving underrepresented groups. At the same time, the college has striven to balance affordability with the need to change curriculum and services to promote student success and invest in the campus physical plant.

The college's traditional fiscal planning has focused on the annual budget process. In recent years the HCC has gone beyond the one-year timeframe in specific areas, including capital planning (five years), equipment renewal (five years), information technology (three years) and institutional priorities (three years). Given the challenges facing the institution it is important to construct a longer view of college finances and use that as a platform for devising strategies to achieve the college's goals.

The Financial Outlook consists of a spreadsheet accompanied by this narrative providing explanations and analysis. It provides 11 years of information: a review of the past five years, the current year's fiscal plan and information, and projections five years into the future. It is structured using the revenue and expense categories found in the annual Statement of Revenues, Expenses and Changes in Net Position. It includes additional fiscal measures and data on enrollment, staffing and affordability.

Because of the time and effort required to collect this volume of information into one report, in-depth analysis could not be provided for every category of information. However, now that the basic report is in place, subsequent drafts can provide more thorough reviews and projections. Additional fiscal measures will be explored and possibly added to the report.

The Outlook will allow the HCC community to explore the impacts of various trends and help identify where corrective actions are needed. It will also be used to review the impacts of decisions and projects. For example, the opening of the Center for Health Education, now very likely in the Fall of 2016, is incorporated into the analysis. As other

projects are scheduled, the Outlook can be used to examine their likely impacts, both during construction and after completion.

The Outlook is just what the name implies, an effort to explore the likely outcomes of trends and decisions. While it is not intended as a plan, it is a document that should aid the planning process and help frame discussion of the college's future.

FY 2015 – FY 2019 Overview

The initial five-year outlook for the college projects current operations five years into the future and incorporates the opening of the Center for Health Education. It assumes that enrollment trends will continue to be challenging, state support will be uncertain and student financial aid will continue to play a larger role in college finances.

At this point the five year projection, measured in terms of operating budget balance and total change in net position, is best characterized as challenging but manageable. Operating budget deficits are projected in every year, but at levels the college should be able to address through revenue enhancements and cost cutting measures. The Outlook also shows negative changes in net position, but at levels that could be eliminated by state capital appropriations that are considered likely during this period.

As noted earlier, subsequent drafts will provide more in-depth analysis of various sections of the Outlook, and additional project impacts will be included once schedules become more certain. These will undoubtedly impact the bottom line.

The sections below discuss, in order, the categories of revenues, expenditures and other data included on the spreadsheet.

Operating Budget Revenues

Operating budget revenues include Trust Fund receipts that are appropriated each year by the Board of Trustees into the annual operating budget plus the state appropriation supporting staff salaries.

State Appropriation

This revenue category reflects the amount appropriated to the college for operating purposes in the annual state budget. This funding is devoted entirely to faculty and staff salaries, since the state provides employee fringe benefit funding for those employees paid from the state appropriation. It should be noted that the state appropriation does not cover the entire college payroll, and the Trust Fund supports salaries and fringe benefits for some employees.

Review of Past Five Years: The Commonwealth of Massachusetts appropriation in support of the College's operating budget had been subject to reduction in FY 2010 due

to fiscal constraints facing the state. In that year it was supplemented by federal economic stimulus funding. The appropriation recovered gradually from FY 2011 through FY 2013, and then received a boost due to partial implementation of a new funding formula for community colleges in FY 2014.

Current Year Budget: The state appropriation is projected at almost \$19.6 million in FY 2015, a 5.0% increase over FY 2014. The increase resulted from partial implementation of the new community college funding formula.

Current Year Revised Estimate: The amount initially budgeted is reduced by 1.5% at this time, reflecting reductions announced by the state government in response to revenue shortfalls.

Five Year Projection: Factors impacting the state budget in general and the higher education funding formula specifically are difficult to predict. The FY 2016 budget will be the first proposed by a new governor, and it is not clear whether the new administration will support continued implementation of the funding formula. It is also difficult to predict how the general economy will perform during this period and the impact on state revenues. The spending priorities of the governor and state legislature over this period are also uncertain. Given all these unknowns, projection of a \$20 million annual appropriation over the next five years seems to be a reasonable if conservative approach. Hopefully actual state support will be significantly higher.

Tuition Remitted to the State

A student's term bill includes \$24 in tuition set by the state legislature. For every day course taught by an instructor whose salary is covered by the state appropriation, the college remits the tuition to the state.

Review of Past Five Years: The amount remitted to the state fluctuated significantly from FY 2010 to FY 2012. It stabilized and gradually increased in FY 2013 and 2014.

Current Year Budget: Remitted tuition is estimated to increase 5% in FY 2015 based on the average increase since FY 2012.

Current Year Revised Estimate: Remitted tuition is reduced based on lower enrollment estimates.

Five Year Projection: Remitted tuition is estimated to increase 5% per year from FY 2016 to 2020 based on the average increase since FY 2012.

Tuition & Fees, Non-Financial Aid

This category includes a long list of per credit tuition and fees and per capita fees charged to students each semester that is not supported by student financial aid award packages.

Review of Past Five Years: Annual amounts have fluctuated over the past five years with no discernible trend. Changes in enrollment, revisions to the fee schedule, and changes in the percentage of students not supported by financial aid all impact the amount collected in any given year. During the five-year period, an average of 78% of total tuition and fee revenue was not supported by financial aid.

Current Year Budget: The FY 2015 budget assumes non-financial aid tuition and fee revenues to be \$18,432,000 based on a 2% enrollment decline and changes to the fee schedule approved by the Board of Trustees.

Current Year Revised Estimate: Based on year-to-date collections as of October 31, the estimate for non-financial aid tuition and fees is reduced to \$15,279,633.

Five Year Projection: The five year projection takes several factors into account. First, it assumes enrollment will decline by 1% per year assuming no changes to curriculum or the campus physical plant that would impact enrollment. The impacts of annual fee increases are estimated based on the average increase in cost of attendance from FY 2010 to FY 2015. Enrollment impacts from the opening of the Center for Health Education are incorporated into the estimate beginning in FY 2017.

Tuition & Fees, Financial Aid

This category represents tuition and fee receipts that are paid directly out of students' financial aid award packages. It is influenced by changes in enrollment, revisions to the fee structure, the percentage of students receiving financial aid and changes in financial aid guidelines.

Review of Past Five Years: From FY 2010 to FY 2014, this category fluctuated, decreasing in three of the years but increasing by a large amount in FY 2012. Over the period as a whole the amount rose by an amount equivalent to a 4% annual increase.

Current Year Budget: The FY 2015 budget assumes tuition and fee revenues supported by financial aid to be \$4,994,000 based on a 2% enrollment decline and changes to the fee schedule approved by the Board of Trustees.

Current Year Revised Estimate: Based on year-to-date collections as of October 31, the estimate for non-financial aid tuition and fees is reduced to \$4,140,026.

Five Year Projection: Based on average annual increases from FY 2010 to FY 2014, this revenue source is projected to increase by 4% per year from FY 2016 to FY 2020.

Bookstore Receipts, Non-Financial Aid

Bookstore receipts include sales from the HCC Bookstore of textbooks, educational materials, software access codes, clothing and other items. Students may purchase materials with their own resources or through vouchers provided as part of financial aid

packages. This section discusses receipts outside of financial aid. It is impacted by enrollment, cost of textbooks, the extent to which faculty assign items that must be purchased as opposed to open source materials, and market share maintained by the college bookstore.

Review of Past Five Years: Bookstore receipts not supported by financial aid fluctuated over the past five years, but on average decreased by 4.7%.

Current Year Budget: The FY 2015 budget assumes receipts in this category at a 4% increase over the amount actually collected in FY 2014.

Current Year Revised Estimate: Year to date collection trends suggest a small increase over budgeted receipts in FY 2015.

Five Year Projection: Even though FY 2015 estimates indicate a potential increase over FY 2014, the history of actual collections from FY 2010 to FY 2014 show an average annual decrease of 4.7%. That trend is reflected in the FY 2016 to FY 2020 projections.

Bookstore Receipts, Financial Aid

Students receive book vouchers as part of their federal financial aid packages, and the vouchers can be used only at the college bookstore. Because this source of funding cannot be used to purchase texts and materials from other sources, financial aid is accounting for a growing share of bookstore revenues.

Review of Past Five Years: Receipts supported by financial aid fluctuated between FY 2010 and FY 2014, but on average rose by 3.3% per year.

Current Year Budget: The FY 2015 Budget assumed this category of receipts would be 6.6% below the amount actually received in FY 2014.

Current Year Revised Estimate: Year to date collections in FY 2015 indicate a small increase over the budgeted amount.

Five Year Projection: Based on actual experience from FY 2010 to FY 2014, it is projected that this category of receipts will increase by 3.3% per year from FY 2015 to FY 2020.

Administrative Allowance

The Administrative Allowance is a funding source available to the college from state and federal grants to compensate the college for administrative overhead provided to grant-funded programs. It is impacted by the overall amount of grant funding received by the college and the provisions included in individual grants.

Review of Past Five Years: Actual Administrative Allowance received during the FY 2010 – FY 2014 period ranged from a low of \$150,339 to a high of \$905,950 and did not display a consistent pattern of increase or decrease. The unusually high amount utilized in FY 2013 resulted from the use of several years of accumulated funding and was invested in information technology upgrades.

Current Year Budget: The FY 2015 budget assumes an administrative allowance of \$200,000.

Current Year Revised Estimate: Based on year to date receipts, the FY 2015 estimate has been revised upward to \$310,981.

Five Year Projection: Based on recent history, a projection of \$195,00 is assumed each year in the FY 2016 to FY 2020 period.

Business & Community Services

Business & Community Services (B&CS) revenues are generated by non-credit continuing education and professional development courses, as well as professional training contracts with businesses, government agencies and other organizations and room rentals in the Kittredge Center. In FY 2012 HCC and Springfield Technical Community College (STCC) collaborated to create Training & Workforce Options (TWO) to provide employee training option tailored to the needs of individual businesses and organizations.

Review of Past Five Years: Receipts decreased substantially from FY 2010 to FY 2013, but began to recover in FY 2014.

Current Year Budget: The FY 2015 revenue estimate is based on recent actual history with an allowance for potential revenue growth, and constitutes a 10.3% increase over actual receipts in FY 2014.

Current Year Revised Estimate: Based on receipts to date, this revenue estimate is projected to increase to \$942,490.

Five Year Projection: For the FY 2016 to FY 2020 period, receipts are based on the most recent projections with allowance for 6.0% annual growth based on the actual increase from FY 2013 to FY 2014.

Total Operating Budget Revenues

This category shows total revenues approved by the Board of Trustees in the annual operating budget plus the state appropriation.

Review of Past Five Years: During the FY 2010 to FY 2014 period, total operating budget receipts rose gradually with a 3.3% annual average increase.

Current Year Budget: Based on revisions to the fee schedule and earlier enrollment projections, the FY 2015 budget is based on \$46.9 million in operating budget receipts, a 6.8% increase over the amount actually received in FY 2014.

Current Year Revised Estimate: Due to projections using year to date collections and an anticipated reduction in state support, total operating budget revenues projections are revised downward to \$43.1 million, a 2.0% decrease under FY 2014 actual receipts.

Five Year Projection: From FY 2015 to FY 2020, total operating budget revenues are projected to increase gradually, with an annual average increase of 2.5%. In FY 2017 the increase is higher at 3.3% reflecting enrollment expansion related to the second year of operation in the Center for Health Education.

Non-Operating Budget Revenues

Several categories of revenues are reported by the college to the state in the Annual Statement of Revenues, Expenses and Changes in Net Assets, but are not appropriated by the Board of Trustees in support of the college's annual operating budget.

State Appropriation for Fringe Benefits

The state appropriation in support of the college is devoted entirely to employee compensation. The state pays for the fringe benefits of those employees paid off of the state appropriation. The amount provided by the state is dependent on the size of the state appropriation and fringe benefit rate, which has changed significantly in some years.

Review of Past Five Years: State fringe benefits support fluctuated considerably from FY 2010 to FY 2014, with no discernible pattern. It varied from a low of \$3.8 million in FY 2010 to a high of almost \$5.3 million in FY 2012.

Current Year Budget: The current state fringe benefit rate of 28% is applied to the state appropriation.

Current Year Revised Estimate: The current state fringe benefit rate of 28% is applied to the state revised appropriation.

Five Year Projection: Future year rates are now known, so for the FY 2016 to FY 2020 period the current fringe benefits rate is applied to the state appropriation estimate.

State Appropriations, Restricted

The annual state budget includes funding appropriated to HCC for specific purposes, such as workforce development and the McNair program. In this outlook report, funding provided through the American Recovery and Reinvestment Act (ARRA) is included as a restricted state appropriation.

Review of Past Five Years: Funding in this category was unusually high in FY 2010 and FY 2011 due to ARRA funding, and returned to more normal levels in FY 2012.

Current Year Budget: The current year estimate is an average of actual amounts in FY 2012, FY 2013 and FY 2014.

Current Year Revised Estimate: The current year revised estimate is an average of actual amounts in FY 2012, FY 2013 and FY 2014.

Five Year Projection: The average of actual amounts in FY 2012, FY 2013 and FY 2014 is used in each year in the FY 2016 to FY 2020 period.

State Appropriations, Capital

The amount the state allocates to the college capital projects during the year is reflected in this category. Sources include deferred maintenance, the higher education bond bill and capital grants held by DCAMM.

Review of the Past Five Years: Capital appropriations have varied significantly from year to year, from a high of \$1.3 million in FY 2012 to a low of \$165,470 in FY 2010.

Current Year Budget: No funding was identified in this category when the FY 2015 budget was adopted.

Current Year Revised Estimate: The current year revised estimate includes \$3,000,000 from the Massachusetts Life Sciences Center (MLSC) grant and \$281,890 in state deferred maintenance funding.

Five Year Projection: The FY 2016 projection is \$800,000, which is the amount of the MSLC grant scheduled to be deposited with DCAMM that year. No funding has been identified for the FY 2017 to FY 2020 period. However, substantial funding is likely in each of these years.

Federal, State, Local Grants, Non-Financial Aid

This category includes grant awards other than financial aid from federal and state governments and from foundations. It includes special state grants not covered by the various categories of the state appropriation.

Review of Past Five Years: Grant funding fluctuated during this period, ranging from a high of \$5.4 million in FY 2011 to a low of \$4.0 million in FY 2013.

Current Year Budget: The current year budget assumes \$4,825,000, equal to the average of actual awards over the past five years.

Current Year Revised Estimate: The current year budget assumes \$4,825,000, equal to the average of actual awards over the past five years.

Five Year Projection: The five year projection assumes \$4,825,000 an amount equal to the average of actual awards over the past five years.

Financial Aid Refunds

The college receives federal financial aid funding based on approved student awards. For each student award package, funding is allocated for tuition and fee payments and bookstore vouchers, and any balances are remitted to students. This revenue source represents the amounts of financial aid that are eventually refunded to students.

Review of Past Five Years: From FY 2010 to FY 2014, financial aid refund amounts increased in all but one of the years, with the annual increase for the period averaging 2.0%.

Current Year Budget: The current year budget assumes financial aid refunds will increase 2.0% over the FY 2014 actual amount based on trends during the past five years.

Current Year Revised Estimate: The current year revised estimate assumes financial aid refunds will increase 2.0% over the FY 2014 actual amount based on trends during the past five years.

Five Year Projection: The five year projection assumes financial aid refunds will increase 2.0% per year based on trends during the past five years.

Net Investment Income

Net investment income is derived from changes in the value of the college's investment portfolio due to market conditions. The Board of Trustees has followed a policy of not using this revenue to support the annual operating budget, but under its investment guidelines considering its use for capital projects and other non-recurring spending with special board approval.

Review of Past Five Years: Reflecting the volatility of investment markets, net investment income has fluctuated widely over the past five years, from a high of almost \$1.8 million in FY 2014 to a low of \$181,979 in FY 2012.

Current Year Budget: Net investment income is estimated at \$1,163,000 based on the past five year average.

Current Year Revised Estimate: Net investment income is estimated at \$1,163,000 based on the past five year average.

Five Year Projection: Net investment income is projected at \$1,163,000 per year based on the past five year average.

Total Non-Operating Budget Revenues

This category shows the sum of all revenues not included in the annual operating budget submitted for the approval to the Board of Trustees.

Review of Past Five Years: Total Non-Operating Budget revenues have fluctuated over the past five years. They peaked at \$24.5 million in FY 2011 due primarily to federal ARRA funding and unusually high state appropriations for fringe benefits, grants and financial aid refunds. They reached a low point of \$17.8 million in FY 2013 when several categories were at or near their low points for the five-year period.

Current Year Budget: The total revenue estimate in this category was \$19.5 million when the FY 2015 budget was adopted. This constitutes a slight decrease from the actual amounts in FY 2014 due to conservative estimates in various categories.

Current Year Revised Estimate: The current year revised estimate increases by \$3.3 million over the original budget due to state capital appropriations.

Five Year Projection: Non-operating budget revenues are projected to decline in FY 2016 and FY 2017 due to conservative estimates of various categories and then increase gradually in FY 2018 through 2020 due to increases in financial aid funding that will be refunded to students.

Total Revenues

Total revenues include all categories of receipts included in the college's annual financial statements.

Review of Past Five Years: Total revenues fluctuated over the five year period with no discernible pattern, ranging from a high of \$65.7 million in FY 2011 to a low of \$57.7 in FY 2010.

Current Year Budget: The total revenue estimate when the current year budget was adopted was \$66,368,698, a 4.6% increase over the FY 2014 actual figure. The increase is due primarily to estimates for the state appropriation and tuition and fees.

Current Year Revised: The current year revised estimate decreases to \$65,706,970, a 3.6% increase over the amounts actually receive in FY 2014. The decrease under the original budget estimate is due to lower operating budget revenues partially offset by increased state capital appropriations.

Five Year Projection: The five year projection indicates annual increases averaging 2.5%.

Operating Budget Expenditures

Operating budget expenditures include appropriations from the college trust fund approved for expenditure by the Board of Trustees plus unrestricted funding approved for operation of the college from the annual state budget.

Personal Services/State Appropriation Salaries

The unrestricted state appropriation is devoted entirely to employee compensation, since the commonwealth covers fringe benefits costs associated with employees whose salaries are supported by the state appropriation.

Review of Past Five Years: The state appropriation for salaries fluctuated over the five years. While the low point of \$14.4 million occurred in FY 2010 and the high of \$17.6 occurred in FY 2014, the amounts increased in FY 2011, decreased in FY 2012, and increased each year in FY 2013 and FY 2014.

Current Year Budget: The FY 2015 funding level reflects the current state appropriation, and represents a 9.1% increase over FY 2014.

Current Year Revised Estimate: The FY 2015 estimate incorporates an expected decrease in the state appropriation.

Five Year Projection: The projection at \$19,618,000 each year from FY 2016 to FY 2020, reflects the state appropriation anticipated over the five year period.

Personal Services/Trust Fund Salaries

Salaries for benefitted employees that cannot be accommodated under the state appropriation are paid from the college trust fund. The amounts are impacted by staffing levels, pay increases, and the size of the annual state appropriation.

Review of Past Five Years: Over the past five years the expense of salaries funded outside the state appropriation have fluctuated with no discernible pattern. Amounts ranged from a high of \$6.2 million in FY 2010 to a low of \$3.8 million in FY 2011.

Current Year Budget: The amount budgeted for trust fund salaries in FY 2015 is \$4,073,684, a 10.1% decrease below FY 2014. The decrease is due to an increase in the state appropriation and restrictions on hiring due to fiscal constraints.

Current Year Revised Estimate: The estimate is reduced by 13.5% based on year to date expenditures.

Five Year Projection: Estimates assume a 3.0% annual increase in salaries to account for pay raises plus additional staffing related to the Center for Health Education in FY 2016, FY 2017 and FY 2018.

Personal Services/Adjunct Faculty

Adjunct instructors are hired to teach individual courses. Funding amounts are impacted by enrollment, size of the full-time faculty, the number of course releases granted to full-time faculty, and increases in pay rates.

Review of Past Five Years: Funding for part-time instructors rose at an annual average rate of 5.2% from FY 2010 to FY 2013 before declining by 2.1% in FY 2014 due to smaller enrollment.

Current Year Budget: Funding for adjunct faculty was approved at \$5,835,000, a 2.3% increase over FY 2014 due to increases in rates of pay.

Current Year Revised Estimate: The current year estimate is reduced by 13.5% to \$5,321,500 based on year to date expenditures.

Five Year Projection: The projection assumes funding is added each year in FY 2016, FY 2017 and FY 2018 to reflect staffing needed in the Center for Health Education, along with 3.0% annual increases to reflect higher pay rates.

Personal Services/Part-Time Salaries

Review of Past Five Years: Part-time employees serve a variety of functions across the college. While expenditures fell in FY 2012, they were on a general upward trend during the five-year period with the average annual change at a 6.4% increase

Current Year Budget: The approved budget assumed part-time salary costs at \$2,166,489, 8.7% under actual expenditures in FY 2014.

Current Year Revised Estimate: The revised estimate is decreased 13.5% to reflect actual expenditures to date.

Five Year Projection: The five year projection assumes a 6.4% annual increase from the FY 2015 revised estimate, based on actual changes in the FY 2010 to FY 2014 period.

Personal Services/Employee Fringe Benefits

Employee fringe benefits are calculated as percentages of the various categories of full- and part-time employees.

Review of Past Five Years: Costs have fluctuated over the past five years based on changes in the fringe benefits rates and due to the percent of payroll covered by the state appropriation. Amounts ranged from a high of \$1.8 million in FY 2010 to a low of \$1.1 million in FY 2014.

Current Year Budget: The current year cost calculation represents a 44.6% increase over the FY 2014 actual cost due to changes in the fringe benefits rates.

Current Year Revised Estimate: The current year estimate is reduced consistent with reductions in the salary categories, and constitutes a 32.3% increase over the FY 2014 actual amount.

Five Year Projection: Fringe benefits costs are projected to increase by 246.6% over the entire five year period based on increases in overall salary costs.

Total Personal Services

Total personal services include all full- and part-time compensation and fringe benefits included in the state appropriation and the operating budget approved by the Board of Trustees. It is impacted by overall staffing levels and changes in rates of pay.

Review of Past Five Years: After declining in FY 2011, total personal services increased every year from FY 2012 to FY 2014. Over the five year period, this category increased a total of 6.8%.

Current Year Budget: The FY 2015 approved budget assumed that total personal services would be \$32,921,029, a 5.0% increase over FY 2014 actual expenditures.

Current Year Revised Estimate: Based on year to date spending, the current year estimate is reduced to \$30,892,964, a 1.5% decrease under FY 2014 actual expenditures.

Five Year Projection: Over the FY 2015 to FY 2020 period, total personal services are projected to increase by 12.7%.

Capital Projects

This category represents funding from the college trust fund in support of building repairs and renovations, and does not include funding provided by the state or other outside sources.

Review of Past Five Years: Expenditures from FY 2010 through FY 2014 were supported by reserve transfers to a revolving fund supplemented by operating revenues and ranged from \$67,765 in FY 2010 to a high of at or around \$500,000 in three of the years.

Current Year Budget: The current year budget reflects funding from \$4 per credit of the FY 2014 fee increase dedicated to capital and special projects.

Current Year Revised Budget: No revisions to the approved budget are projected at this time.

Five Year Projection: For the FY 2016 to FY 2020 period, expenditures are based on support from dedicated student fees and the revolving fund at \$700,000 per year. This funding will be supplemented by substantial amounts from the college bond issue, capital campaign, state deferred maintenance funding and the higher education bond bill.

Equipment

Review of Past Five Years: Expenditures for academic and operating equipment over the past five years fluctuated based on the fiscal constraints facing the college. The HCC Foundation and Alumni Council provided additional funding for academic equipment purchases on an annual basis.

Current Year Budget: Due to fiscal constraints, no funding could be allocated from the college trust fund. The college is relying on support from the Foundation and Alumni Council for academic equipment purchases.

Current Year Revised Estimate: Due to fiscal constraints, no funding could be allocated from the college trust fund. The college is relying on support from the Foundation and Alumni Council for academic equipment purchases.

Five Year Projection: For the FY 2016 to FY 2020 period, it is assumed that \$300,000 per year will be allocated from the college trust fund for academic and operating equipment purchases.

Operating Costs

The following sections discuss divisional operating expenditures, excluding employee compensation, equipment and capital projects.

Operating Costs/President's Office

The budgets under the President's Office support operating costs for college-wide programs and activities directly under the Supervision of the President. Due to the small size of this division, funding levels can fluctuate based on special projects.

Review of Past Five Years: Funding fluctuated over the five year period, with no discernable pattern of increase or decrease. It reached its low point in FY 2010 at \$46,682 and its high point in FY 2011 at \$157,158. The average funding level over the period was \$79,857,

Current Year Budget: The FY 15 funding level of \$91,450 is 81.0% over actual spending in FY 2014 and 14.5% over average spending during the past five years.

Current Year Revised Estimate: Based on expenditures to date, current year spending is estimated downward to \$79,104, a 56.6% increase over FY 2014 actual spending but 0.9% below average annual spending during the prior five years.

Five Year Projection: The five year projection is based on the most recent Higher Education Price Index.

Operating Costs/Academic Affairs

This section discusses operating costs for all the “for credit” academic divisions supporting instruction related to degree and certificate programs. It includes the library and academic support.

Review of Past Five Years: With the exception of a decrease in FY 2013, the past five years generally shows annual increases in operating costs for the Academic Affairs Division. During the entire period from FY 2010 to FY 2014, expenditures rose 55.8%.

Current Year Budget: The current year budget of \$1,486,018 reflects a 32.9% increase over actual expenditures in FY 2014.

Current Year Revised Estimate: Projected spending is revised downward \$1,355,248 based on year to date spending, which constitutes a 14.9% increase over actual expenditures in FY 2014.

Five Year Projection: The five year projection is based on the FY 2015 revised estimate adjusted to reflect the Higher Education Price Index and the opening of the Center for Health Education.

Operating Costs/Institutional Development

The Institutional Development Division includes Institutional Research, Alumni Relations, Marketing and Communications and grants development.

Review of Past Five Years: Annual spending increases increased consistently during the FY 2010 to FY 2014 period, going from 3.8% from FY 2010 to FY 2011 to 27.6% from FY 2013 to FY 2014. The increases reflect a growing emphasis on marketing due to support enrollment.

Current Year Budget: With funding at \$745,678, the FY 2015 budget is a 5.3% increase over actual spending in FY 2015.

Current Year Revised Estimate: Based on year to date spending, the current year estimate is revised down to \$645,011 which is an 8.9% reduction below FY 2014 actual spending.

Five Year Projection: The five year projection is based on the FY 2015 revised estimate increased based on the Higher Education Price Index.

Operating Costs/Information Technology

Operating costs for the Information Technology Division primarily cover hardware purchases and software licensing.

Review of Past Five Years: Costs varied widely over the past five years, reflecting efforts to upgrade technology in certain years. Spending ranged from a low of \$605,698 in FY 2010 to a high of \$1,402,098 in FY 2013.

Current Year Budget: The division's operating costs are funded at \$1,483,067 in FY 2015, a 34.0% increase over FY 2014 spending.

Current Year Revised Estimate: Based on year to date spending, the FY 2015 expenditure estimate is revised downward to \$1,282,853, a 15.9% increase over FY 2014 actual spending.

Five Year Projection: The five year projection is based on the FY 2015 revised estimate increased based on the Higher Education Price Index.

Operating Costs/Student Affairs

The Student Affairs Division includes several departments providing services in support of students, including Admissions, Athletics, Co-op & Career Services, Office for Students with Disability & Deaf Services, Finance Aid, Health Services, Advising, the Registrar's Office and Student Activities.

Review of Past Five Years: Student Affairs spending during the past five years fluctuated based on division reorganization and changes in activity levels, with expenditures ranging from a high of \$1,128,044 in FY 2010 to a low of \$689,203 in FY 2011.

Current Year Budget: The FY 2015 Student Affairs operating budget is funded at \$1,465,993, a 43.2% increase over FY 2014 spending.

Current Year Revised Estimate: Current year spending is revised down to \$1,268,084 based on year to date expenditures, which is a 23.8% increase of FY 2014 actual spending.

Five Year Projection: The five year projection is based on the FY 2015 revised estimate increased based on the Higher Education Price Index.

Operating Costs/Administration & Finance

The Administration & Finance Division includes business operations, human resources, facility management and security.

Review of Past Five Years: Expenditures during the FY 2010 to FY 2014 period varied with no discernible pattern, ranging from a low of \$2.3 million in FY 2010 to a high of \$3.6 million in FY 2012.

Current Year Budget: The FY 2015 budget was approved at \$2,905,381, slightly below actual spending in FY 2014.

Current Year Revised Estimate: Based on year-to-date spending, FY 2015 expenditures are revised downward to \$2,513,155, 15.0% lower than actual expenditures in FY 2014.

Five Year Projection: The five year projection is based on the FY 2015 revised estimate increased based on the Higher Education Price Index.

Operating Costs/Bookstore

While including all costs of operating the bookstore outside of employee compensation and equipment, by far the largest component of bookstore operating costs comes from purchase of texts and other instructional materials. Enrollment and market share impact annual expenditures. The percentage of students awarded financial aid also plays a role, since financial aid book vouchers can be used only at the college bookstore.

Review of Past Five Years: Actual expenditures varied with no discernible pattern, ranging from lows of \$2.8 million in FY 2012 and FY 2014 to a high of \$3.2 million in FY 2011.

Current Year Budget: The FY 2015 budget was set at \$3,502,185, a 26.8% increase over actual spending in FY 2014.

Current Year Revised Estimate: Based on expenditures to date, the current year estimate is revised down to \$2,808,752, a 1.7% increase over FY 2014 actual spending.

Five Year Projection: The five year projection is based on the FY 2015 revised estimate increased based on the Higher Education Price Index.

Operating Costs/Central Accounts

Operating costs in the Central Accounts include college-wide administrative costs and long term debt service payments.

Review of Past Five Years: Expenditures rose significantly beginning in FY 2013 due to debt service payments associated with the issuance of bonds to support the creation of the Center for Health Education.

Current Year Budget: The current year budget was approved at \$1,139,447 a 13.6% increase over actual expenditures in FY 2014.

Current Year Revised Estimate: The current year estimate is revised upward to \$1,180,467 based on year to date spending, a 17.7% increase over FY 2014.

Five Year Projection: The five year projection is based on the FY 2015 revised estimate increased based on the Higher Education Price Index.

Operating Costs/Business & Community Services

This category covers the costs of operating the non-credit and adult basic education programs, excluding employee compensation and equipment. It also includes operating costs related to the Picknelly Adult and Family Education Center.

Review of Past Five Years: During the past five years expenditures have held fairly constant, falling between \$500,000 and \$600,000 per year.

Current Year Budget: The FY 2015 budget assumes an increase in programming, and is set at \$647,750, a 15.7% increase over actual spending in FY 2014.

Current Year Revised Estimate: Based on actual spending to date, the current year estimate is revised downward to \$615,372, a 9.9% increase over FY 2014.

Five Year Projection: The five year projection is based on the FY 2015 revised estimate increased based on the Higher Education Price Index.

Total Operating Costs

Total operating costs covers the expenditures for all divisions covered in the annual operating budget approved by the Board of Trustees, excluding employee compensation, capital projects and equipment purchases.

Review of Past Five Years: During the entire period from FY 2010 to FY 2014, total operating costs increased 24.8%.

Current Year Budget: The budget approved for FY 2015 includes \$13,493,969 in total operating expenditures, a 19.5% increase over the amount actually spent in FY 2014.

Current Year Revised Estimate: Based on expenditures to date, the current year estimate is revised downward to \$11,678,204, a 3.4% increase over the amount actually spent in FY 2014.

Five Year Projection: Total operating expenditures are projected to increase a total of 10.9% from FY 2015 to FY 2020, based on the Higher Education Price Index and costs associated with the opening of the Center for Health Education in FY 2016.

Total Operating Budget Expenditures

This category summarizes all expenditures approved by the Board of Trustees, including employee compensation, operating expenses, capital projects and equipment. It also includes salaries supported by the state appropriation.

Review of Past Five Years: During the FY 2010 to FY 2014 period, total operating budget expenditures increased by a total of 11.6%.

Current Year Budget: The FY 2015 budget was approved at \$46,914,998, a 9.1% increase over actual spending in FY 2014.

Current Year Revised Estimate: The FY 2015 estimate is revised downward to \$43,071,168, a 0.2% increase over FY 2014, based on year to date expenditures.

Five Year Projection: Total operating budget expenditures are projected to increase by 13.3% from FY 2015 to FY 2020.

Non-Operating Budget Expenditures

Non-operating budget expenditures are costs carried on the institution's financial statements but not directly attributable to college operations. In some cases they mirror non-operating revenues, and in those instances the revenue section is referenced without further explanation.

Fringe Benefits on the State Appropriations

Please see "State Appropriations for Fringe Benefits" under Non-Operating Revenues.

Scholarships (Financial Aid Refunds)

Please see "Financial Aid Refunds" under Non-Operating Revenues

Grant Expenditures, Non-Financial Aid

Please see "Federal, State, Local Grants, Non-Financial Aid" under Non-Operating Revenues

Depreciation & Amortization

All college physical assets are owned by the Commonwealth of Massachusetts. Depreciation and amortization of those assets are carried on the college's financial statements and are reported to the state for incorporation into the state's annual financial reports.

Review of Past Five Years: Depreciation and amortization increased by 17.0% from FY 2010 to FY 2013, and then decreased by 1.8% from FY 2013 to FY 2014.

Current Year Budget: Depreciation and amortization is increased by 3.7% over the FY 2014 actual figure based on the average percentage change between FY 2010 and FY 2014.

Current Year Revised Estimate: Depreciation and amortization is increased by 3.7% over the FY 2014 actual figure based on the average percentage change between FY 2010 and FY 2014.

Five Year Projection: Depreciation and amortization is projected to increase by 3.7% per year based on the average percentage change between FY 2010 and FY 2014.

Interest Expense

This category reports the interest paid on bonds issued by the college.

Review of Past Five Years: Expenses declines from FY 2010 to FY 2012, and then increase in FY 2013 and FY 2014 as the college issued bonds in support of the Center for Health Education.

Current Year Budget: The current year budget is funded at \$297,589, reflecting the bond amortization schedule.

Current Year Revised Estimate: The current year revised estimate is funded at \$297,589, reflecting the bond amortization schedule.

Five Year Projection: The projection is based on the current bond amortization schedule.

Total Expenditures

Total expenditures refer to all operating and non-operating expenditures reflected in the college's financial statements.

Review of Past Five Years: From FY 2010 to FY 2014, total expenditures increased by an average of 3.0% per year.

Current Year Budget: The current year budget represents a 7.7% increase over FY 2014 actual expenditures.

Current Year Revised Estimate: The current year estimate is revised downward based on actual spending to date and represents a 1.4% increase over actual spending in FY 2014.

Five Year Projection: Total expenditures are projected to rise 11.2% over the entire five year period.

Operating Budget Balance

The operating budget balance reflects the total surplus or deficit from the college trust fund accounts approved annually by the Board of Trustees.

Review of Past Five Years: The operating budget showed a balance each year from FY 2010 to FY 2014 in amounts ranging from \$60,871 in FY 2010 to \$1,282,173 in FY 2013.

Current Year Budget: The current year operating budget is in balance.

Current Year Revised Estimate: The current year revised estimates projects an extremely small \$17,611 deficit.

Five Year Projection: Over the next five years, operating budget deficits are projected to range from \$959,333 in FY 2016 to \$103,948 in FY 2020. Deficits of this magnitude can be addressed through revenue enhancements and cost reductions.

Total Change in Net Position

The total change in net position measures the impacts of all revenues and expenditures, operating and non-operating, on the total assets associated with the college as a component unit of the state system. Total net assets include the net investment in capital assets, restricted nonexpendable assets, restricted expendable assets, and unrestricted expendable assets.

Review of Past Five Years: The college experienced increases in net position in FY 2010, FY 2011, FY 2012 and FY 2014, and a decrease in FY 2013. Increases in FY 2010 and FY 2011 were unusually large due to receipt of federal economic stimulus funding.

Current Year Budget: The approved FY 2015 budget would indicate a decrease in net position of almost \$1.2 million. However, that budget also assumed no state capital appropriations.

Current Year Revised Estimate: When projected state capital appropriations are factored in, the college shows an increase in net position of almost \$2.1 million.

Five Year Projection: The five year projection shows decreases in net position ranging from \$1.4 million in FY 2016 \$2.0 million in FY 2017. These decreases will most likely be reversed by the addition of state capital appropriations.

Other Financial Indicators

Unrestricted Net Assets

Review of Past Five Years: Unrestricted net assets represent the total of assets available for designation by the college's Board of Trustees, and they increased by 83.2% over this period.

Current Year Budget: At this point unrestricted net assets are not projected for FY 2015.

Current Year Revised Estimate: At this point unrestricted net assets are not projected for FY 2015

Five Year Projection: At this point unrestricted net assets are not projected for the FY 2016 to FY 2020 period.

Bonds Payable

Review of Past Five Years: Prior to FY 2013, the College's sole debt issuance is in support of the construction of the Kittredge Center. In FY 2013 the College issued additional debt for acquisition and renovation of the Center for Health Education.

Current Year Budget & Revised Estimate: The FY 15 bonding level reflects the current amortization schedule.

Five Year Projection: The FY 2016 to FY 2020 reflects the current amortization schedule.

Foundation Total Net Assets

Review of Past Five Years: The FY 2010 to 2014 period reflects the solid growth in the investment market and successful capital campaigns by the Foundation. During this period total net assets grew 77.1%.

Current Year Budget & Revised Estimate: At this point no projection is provided.

Five Year Projection: At this point no projection is provided.

Enrollment

Credit Headcount

Review of Past Five Years: Headcount enrollment decline steadily from FY 2010 to 2014, falling 10.1% over the entire period.

Current Year Budget: The FY 2015 budget is based on a 2.0% decline in headcount.

Current Year Revised Estimate: Headcount has held at a 2.0% decline as of Fall Semester.

Five Year Projection: Headcount is projected to decline 1.0% per year, with adjustment made for the opening of the Center for Health Education.

Credit Full-Time Equivalents

Review of Past Five Years: Full-time equivalents reflect the course loads taken by students and equate that to the number of students HCC would have on campus if all students were taking full-time loads. Numbers declined during this period by 11.4%.

Current Year Budget: The FY 2015 budget assumes a 2.0% decline in full-time equivalents.

Current Year Revised Estimate: Based on the Fall Semester, projections are revised downward, representing a 4.2% reduction under FY 2014.

Five Year Projection: Enrollment is projected to decline 1.0% annually with adjustment made for the opening of the Center for Health Education

Credits:

Review of Past Five Years: Total credits taken by HCC students mirrored the previously discussed enrollment trends, with a decrease totaling 11.4%.

Current Year Budget: The FY 2015 budget assumes a 2% reduction from FY 2014.

Current Year Revised Estimate: The credit projection is reduced to 4.2% below FY 2014 based on the Fall Semester.

Five Year Projection: Total credits are projected to decline 1.0% per year with adjustment made for the opening of the Center for Health Education.

Course Offerings

Review of Past Five Years: Course offerings remained at around 2,500 from FY 2010 to FY 2013 before falling to 2,362 in FY 2014.

Current Year Budget: The course offering projection remains at 2,362.

Current Year Revised Estimate: The course offering projection remains at 2,362.

Five Year Projection: Course offerings are projected to remain steady at 2,362.

Non-Credit Headcount

Review of Past Five Years: Non-credit headcount enrollment fluctuated but over the course of the entire period fell 41.4%.

Current Year Budget: The FY 2015 budget assumes non-credit headcount to increase 10.0%.

Current Year Revised Estimate: Based on year to date experience, non-credit headcount is revised upwards, representing a 36.0% increase over FY 2014.

Five Year Projection: For the FY 2016 to 2020 period, non-credit headcount is projected to increase 6.0% annually.

Non-Credit Registrations

Review of Past Five Years: Non-credit registration fluctuated during this period, ranging from a high of 5,374 in FY 2012 to a low of 2,911 in FY 2014.

Current Year Budget: The FY 2015 budget assumed non-credit registrations at 10.0% above FY 2014 levels.

Current Year Revised Estimate: The revised estimate assumes registrations are 36.0% above FY 2014.

Five Year Projection: For the FY 2016 to 2020 period, non-credit registrations are projected to increase 6.0% per year.

Non-Credit Course Offerings

Review of Past Five Years: Except for a one-time increase in FY 2008 and decrease in FY 2010, non-credit course offerings remained relatively steady during the five-year period, starting with 443 in FY 2007 and ending with 445 in FY 2011.

Current Year: Non-credit course offerings are projected at 450 in FY 2012.

Five Year Projection: For the upcoming five-year period, non-credit course offerings are projected to remain steady at 450.

Benefited Staffing Summary

Review of Past Five Years: The benefitted staffing summary for the past five years reflects actual positions filled at the start of Fall Semester each year. Due to position vacancies, the number of approved positions in each year was higher. Position counts show an overall net reduction during the five year period.

Current Year Budget & Revised Estimate: The current year staffing levels reflect actual staffing as of the start of Fall Semester, and reflects a slight increase over FY 2014.

Five Year Projection: The five-year projection reflects the college's commitment to filling 135 full-time faculty positions plus adjustments made for the opening of the Center for Health Education.

Affordability

HCC Annual Cost of Attendance

Review of Past Five Years: Cost of attendance is calculated annually by the college to incorporate all costs, including books and materials, for a full-time student. Over the past five years it has risen annually by amounts averaging \$254. In percentage terms increases have averaged of 5.0%.

Current Year Budget & Revised Estimate: In FY 2015, cost of attendance incorporates the current fee schedule and rises by \$96 or 1.6%

Five Year Projection: For the FY 2016 to 2020 period, cost of attendance is projected to increase by 4.6% per year.