GORHAM— Saying the University of Maine System must achieve long-term financial sustainability, Chancellor Richard L. Pattenaude on Sunday unveiled a six-month process which he said would produce “major transformative change” within the 40-year-old state university system.

Without those changes, the state university system’s expenses would exceed its revenues by $42.8 million over the next four years—despite $34.2 million in reductions already adopted to balance the current year’s budget alone.

The planning process Pattenaude unveiled includes among its proposals the creation of a task force to review and recommend possible structural and organizational changes to the university system. The task force’s recommendations would be considered as part of a broader set of recommendations Pattenaude intends to submit to the university system’s board of trustees in July. Pattenaude said that the task force will have wide latitude to recommend changes but will proceed with the understanding that the state university system will continue to operate as an affiliated group of seven universities, each with specific missions.

“Incremental cost-cutting—both by our seven universities and within the shared service functions provided by the System office—will not do enough to attain financial sustainability,” Pattenaude told trustees on Sunday. “The university system must pursue deeper and broader change that ensures its academic quality and service to Maine, maintains affordability for undergraduate and graduate students, and achieves operating efficiencies and cost-reductions. We have no choice.”

Pattenaude, who developed the proposal along with the seven university presidents, said the action is necessary due to several related reasons: the financial consequences of the current recession on students and the university system itself; rising health care, energy, and personnel costs; changing demographics; and the need to invest in technological improvements related to teaching and learning, research, and university management and operations.

“It is essential that we act immediately to strengthen and ensure the vitality of our seven universities,” he said. “Although negative financial and demographic forces challenge us, the work ahead should be viewed as an opportunity. The result will be strong universities, clearer objectives, and more measurable outcomes, all of which will reinforce the University of Maine System’s place as an economic and cultural engine of the state and the financial sustainability of Maine’s public universities.”

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The four-year budget projections were based on a set of assumptions about student enrollment, tuition rates, and annual changes in total operating costs. The projections also are based on assumptions about state funding. The Governor’s proposed biennial budget announced on Friday would, if adopted, reduce the university system’s state appropriation by 2.7 percent in Fiscal Year 2010. The proposed budget includes no increase in FY11. In the absence of any state funding proposals for future years, the university system projected modest increases of one percent and two percent in FY12 and FY13, respectively. Pattenaude cautioned that all of these variables could change positively or negatively.

In October, trustees instructed Pattenaude and Maine’s seven universities’ presidents to examine alternative strategies that would result in a long-term financial sustainability plan. In addition, the trustees established a set of financial planning guidelines to be used in making any immediate decisions pertaining to a university, the central office, or the university system as a whole.

The proposal Pattenaude presented Sunday focuses on administrative, academic, and structural changes as well as revenue growth. The plan features processes, financial targets, and timetables for completion of recommendations and action steps, all of which would be submitted to Pattenaude in June. He, in turn, would submit a final report to the Board at its July 13 meeting.

One element of Pattenaude’s proposal would create a 12-member task force to make recommendations regarding the future structure and function of the University of Maine System. The task force would focus on ways to lower operating costs and enhance financial sustainability. The task force’s assignment includes recommendations regarding the size and role of the chancellor’s office; the structure, funding and oversight of common functions serving all universities (known as System-Wide Services, which, along with the chancellor’s office, is based in Bangor); and funding levels, missions and relationships among universities.

The task force would be appointed by Pattenaude, and would include a trustee; a president; three public members with senior-level experience in private-sector organizations, higher education, and economic development/workforce management, respectively; representatives of students, faculty, and staff; and the Maine commissioner of education & cultural affairs or her designee. The university system’s vice chancellor for academic affairs and its vice chancellor for finance, administration & treasurer will serve as ex officio members.

Pattenaude’s full report, entitled “New Challenges, New Directions: Achieving Long-Term Financial Sustainability,” may be found at http://www.maine.edu/pdf/NewChallengesandNewDirections.pdf.

Established in 1968, the University of Maine System is the state’s largest educational enterprise. It features seven universities – some with multiple campuses – located across the state, as well as 10 University College outreach centers, a law school, and an additional 75 interactive distance learning sites. With an annual enrollment of nearly 45,000 students, it educates 68 percent of all students enrolled in Maine’s public universities, community colleges and Maine Maritime Academy. Its student population represents 48 percent of all students enrolled in Maine’s public and private postsecondary institutions combined. For more information, visit www.maine.edu.