

**TESTIMONY OF RICHARD L. PATTENAUDE,
CHANCELLOR, UNIVERSITY OF MAINE SYSTEM**

Regarding LD 2173,

**“An Act To Make Supplemental Appropriations and Allocations for the
Expenditures of State Government and To Change Certain Provisions of the Law
Necessary to the Proper Operations of State Government for the Fiscal Years
Ending June 30, 2008 and June 30, 2009”**

Chairwoman Rotundo, Chairman Fischer, and members of the Committee on Appropriations and Financial Affairs:

Chairman Bowman, Chairwoman Norton, and members of the Committee on Education and Cultural Affairs:

Thank you for the opportunity to address you today. My name is Rich Pattenaude. I'm the Chancellor of the University of Maine System.

Like Trustee Weston, I, too, appeal to you to reject the proposed cut in the University of Maine System appropriation. There are many logical educational, social, and cultural rationales for our position. But given that this bill was prompted by the State's revenue problem, I'd like to focus on the economic reasons why the proposal should not be approved.

No doubt you've heard the fact that individuals with a university degree earn, on average, more than \$23,000 per year than individuals without a college degree. That's good for them and good for the economy. It's also good for taxpayers: Because of their higher salaries, those university graduates are likely to pay more in sales, income, and property taxes—and that helps ensure that adequate financial resources exist to support roads, schools, libraries, public safety, and other essential public services.

Another economic rationale for rejecting the proposed cut involves the importance and value of a well-educated workforce. More than ever, employers look for a sufficient pool of college graduates when deciding where to locate, whether to stay, and whether to expand. We cannot discount the significance of a college-educated labor pool to Maine's ability to attract, retain, and grow businesses and industries.

One must also look at the role of our public universities as magnets for out-of-state investment, particularly federal and private investment in university-based research and development. Last year, our universities attracted over \$100 million in federal and private-sector grants and contracts. That money supported hundreds of jobs within and outside of the university. Furthermore, millions of dollars were spent in Maine on goods and services related to those grants and contracts.

In light of all this, it is correct to state that the proposed cut to the University System's appropriation would actually compound the State's financial problems. Let me explain why.

An analysis by our vice chancellor, Jim Breece, indicates that the University System generates more than \$8 in economic impact for every one dollar of State appropriation. I don't know of any other State investment that produces such a large return on investment. In fact, in 2006 the University System was responsible for \$1.5 billion dollars in economic activity in Maine resulting from its operation. Dr. Breece is an economist, and a member of the State's revenue forecasting commission. According to him, the proposed reduction in the University System's appropriation would result in the loss of \$56 million in economic activity—in one year. I think it's fair to call that an unintended consequence.

As Trustee Weston noted, the University System has been actively engaged for nearly two years in cutting our administrative and operating budgets. We have been doing so in order to protect academic quality and affordability in light of rising costs in areas such as energy and healthcare. As you will recall, we adopted a cost-reduction plan called "Facing the Challenge." In it, we self-impose \$5 million of cuts over three years to balance our budget. But if the State adopts the cut it's now proposing, we will need to cut millions more—something that would severely and negatively affect academic quality and affordability.

The cut would force the elimination of dozens of positions. It would result in significant tuition increases and academic course reductions, no matter how much more we cut our administrative and operational expenses to avoid those consequences. Students would find it harder financially to attend the university and more challenging to complete their education without delays. That, in turn, will negatively affect Maine's economy, given the importance of a highly educated workforce to move Maine forward in the 21st century.

The proposed cut to the University System's state appropriation represents the most serious financial threat since the early 1990's. Back then, cuts in the University System's appropriation led to years of enrollment losses, faculty departures, deferred maintenance, and poor employee morale. It contributed to poor public perceptions of our universities and accelerated the brain drain. The cuts also led to significant increases in tuition rates, imposed out of necessity to protect academic quality. The budget cut we're facing now poses the same consequences.

In closing, I ask you to remember the fundamental purpose of Maine's public universities. We are in the education and economic development business. We perform those responsibilities through teaching, research, and public service outreach. More than any other public agency or institution, the University of Maine System can help Maine improve its financial situation. As policymakers and stakeholders, you and we cannot allow our universities' academic quality, their success in research and development, and their service to students and taxpayers to diminish at a time when their help is needed more than ever.

Again, thank you for this opportunity.

March 11, 2008