



APPENDIX I:

SUMMARY OF STRATEGIC PLAN-RELATED COST-SAVING INITIATIVES

Overview

The primary goal of the UMS Strategic Plan is to improve the quality, access, and accountability of higher education in Maine. To have measurable success in accomplishing this goal, the System must improve administrative and cost management practices. We have identified several areas where administrative and cost management actions can result in net savings to the operation of the System.

As stewards of Maine's public university system, we will continue to press for greater State investment. In addition, we will increase our efforts to reach higher and broader levels of revenue from other sources while carefully managing tuition policy to maintain appropriate and reasonable affordability and accessibility. As a result, we can enhance higher education's contributions to Maine and its people through more effective and efficient cost-management; stronger outreach and access options; sharper and better-coordinated university missions; and overall improvement in the quality of education.

As part of developing the Strategic Plan, we have identified seven categories of operations in which savings can be achieved. The total, \$12 million, reflects reasonable estimates of annual savings once the Plan is fully implemented. These calculations are estimates based on past experience and educated projections. More specific numbers and details will be developed as part of the Plan's implementation phase. The proposed actions supporting those projections represent some, not all, of the possibilities that exist for achieving greater efficiency and effectiveness.

The following information explains the basis of the anticipated \$12 million annual cost savings, net of associate degree phase-out, to be realized by implementing the Strategic Plan. Modifications to elements of the Plan could affect the size or timing of these projected savings.

1. Savings from Workforce Management – \$1.6 million

The University System must maintain and sustain the quality of its programs and services. It can reduce the cost of its operation through a series of workforce-management actions. The savings projected from workforce management would result from a combination of factors:

- an early-retirement incentive now being offered to eligible employees

- attrition management, in which vacated positions may be eliminated rather than filled
- retraining and re-deploying employees to higher-priority positions within the workforce

The projected savings is based on:

- the System’s past history with such incentives
- the likelihood that some of those vacated positions will be replaced by fewer individuals at lower salary levels
- whether a vacant position will be filled or eliminated will be based on each university’s institutional and programmatic priorities

Cost-savings from workforce management are separate from other savings that would be realized through administrative centralization and consolidation, as explained elsewhere in this document.

2. Consolidations, Consortia, and Mergers – \$1.8 million, net of associate degree phase-out

Consolidation/Consortia of universities

Merging the administrations of USM and UMA is projected to reduce administrative costs.

Creation of the Maine State Consortium will reduce costs through cost-sharing and other administrative and programmatic efficiencies.

Phase-out of Most Associate Degree Programs

- Fewer course sections will be taught by adjunct (i.e., part-time) faculty members.
- The University System will collaborate with the Maine Community College System to make the transition from associate-degree offerings as seamless as possible.
- The University System will look for innovative ways to give prospective students options to its current associate-degree offerings, such as university-based “two plus two” programs, articulation agreements with the Community College System, and baccalaureate programs.

University College Outreach Centers

Aligning University College Outreach Centers with universities will provide programmatic improvements and net cost savings.

Improved investment in and utilization of distance learning technologies will also lower net costs.

3. Enhanced Net Revenues – \$1.2 million

The University System can make market-based adjustments to its current business practices that can increase revenues without adversely affecting the quality of services. Examples include reducing the number and size of tuition discounts made available to certain categories of out-of-State students; more market-driven pricing of merchandise and services (e.g., conference space and support; events; merchandise sales).

4. Improved Self-Operation, Outsourcing or Shared Service for Auxiliary Operations – \$2.2 million

Currently UMS generates approximately \$70 million annually through university-operated auxiliary enterprises such as student housing, food services, printing services, bookstores, conferences, etc. The UMS projects it can increase its net revenues by at least 3% annually by pursuing market-driven standards and competition such as shared services, operational efficiencies, and outsourcing, where appropriate. These cost-savings will help the University System maintain and sustain quality of programs and services.

5. Centralization or Regionalization of Administrative Services – \$3 million

Along with other cost-savings accrued as a result of consolidation and centralization, administrative savings can be realized by more effective use of technology in campus-based front-line services and System-wide back-office functions.

Selected functions could be consolidated in order to eliminate duplication of effort, reduce risks, and ensure that student and administrative services are provided in the most economical effective way possible. Examples of expanded centralized or consolidated services which could result in overall efficiencies include purchasing, technology networking and email systems, employee management training, student billing, financial aid and collections, etc.

Based upon prior studies, annual savings will result from these efforts, combined with standardization of policies and procedures and maximizing the value of new technology investments such as Enterprise Resource Planning (ERP), which, once completed, will significantly improve the quality and flexibility of information management and services across the University System.

6. Centralized and Automated Procurement Practices – \$1 million

UMS spends approximately \$100 million annually on the purchase of goods and services. UMS projects it can save at least 1% of that amount by consolidating and coordinating bulk purchases for individual universities. Centralized purchasing would:

- maximize purchasing economies of scale by coordinating the System-wide acquisition of goods and services
- collaborate with other higher-education institutions in Maine and with the State

- establish and monitor improved purchasing policies and procedures
- improve pricing and establishment of standards for bulk purchases of software and hardware
- facilitate adoption and use of e-procurement systems
- streamline travel and expense processes and procurement

7. Improved Efficiencies of Physical Plant – \$1.2 million

UMS can reduce by 5% its total facilities operating costs by 1) stronger and more innovative management protocols; and 2) investing in co-generation and energy-conservation measures at its two largest universities. Although progress has been made, the University System will be much more aggressive in these areas and, in doing so, can improve and better sustain the quality of facilities.

8. Effect on Total UMS Employment

In all, the Strategic Plan would eliminate an estimated 200 positions—4 percent of UMS's current position count—by the end of FY09. The actual impact on current employees would be minimized to the extent possible. UMS employs over 5,000 full-time and part-time regular employees, plus approximately 700 temporary employees, including part-time adjunct faculty. With an average annual turnover of regular employees of nearly 10 percent, *many positions can be eliminated by a combination of leaving positions unfilled and by re-training or transferring employees to fill positions needed in the future.* Where layoffs become necessary, UMS will work with affected employees and provide transition assistance.