

To: University of Maine System Trustees
From: Richard L. Pattenaude, Chancellor
Subject: New Challenges, New Directions - One Year Review
Date: November 14, 2010

It is has been one year since **New Challenges, New Directions** was approved. Much has taken place and much has been accomplished, even in the face of continually changing conditions and contexts. This brief report is intended to provide a broad overview of progress and direction.

You will recall that a detailed **Annual Progress Report** was submitted to you as part of the August retreat (copy attached). From this point forward the annual progress report on New Challenges, New Directions will be provided at the July Board meeting.

New Challenges, New Directions has three Core Goals which, briefly stated, are:

1. Serve the educational needs of Maine
2. Keep the cost of attendance affordable
3. Reduce the cost of operation

To accomplish these goals we generated a **Work Plan** that stated 37 goals, with timelines and metrics, aimed at moving forward on the three core goals. Circumstances, however, made it clear that the first priority was to get the financial house in order and that has been accomplished.

The August Annual Report focused on the full range of goals and provided specifics for each. The general conclusion was that solid, steady progress was being made and that the coming year would be critical.

A more sweeping assessment follows.

1. Serving the Educational Needs of Maine

Progress: Current programs have been analyzed at the campus level for efficiency; significant reductions and eliminations have occurred or are underway. The Strategic Investment Fund (SIF) is in place and supports program development and innovation. Simultaneously there has been rapid growth in

on-line education with new degrees being mounted under the new umbrella of OnlineMaine. There has been considerable work done with the Department of Labor and the Maine Development Foundation to provide a 10 year timeframe for program development related to the emerging economy. Partnerships are proliferating including Adult Education, Community College Transfer agreements, and inter-university partnerships. Research grants are on the rise particularly in the area of environmental sustainability and alternative energy. The broad conclusion is that despite the financial challenges there is considerable creative energy at work on the campuses in bringing the curriculum into alignment with the 21st century needs of Maine.

Challenges: Further budget constraints will make it hard to find seed capital to promulgate new programs. It will be essential to maintain the Strategic Investment Fund, require accountability, build public-private partnerships, and aggressively seek increased State funding despite the current economic-political environment. Particular attention needs to be paid to overall retention efforts and to growing our programs in the health professions and in STEM disciplines.

2. Keep the Cost of Attendance Affordable

Progress: Despite continuing financial challenges, curtailments, and enrollment stagnation, this year's tuition increase was the lowest in six years. At the same time financial aid increased significantly.

Challenges: It will be difficult to meet the goal of tuition increases at or below 5% if State support does not increase. Given that possibility, enrollment increases and costs reductions will be essential to keep revenues above expenses on an ongoing basis. Private fundraising will also be essential to continue the increases in financial aid.

3. Reduce the Cost of Operation

Progress: All campus budgets are balanced (some narrowly) and the System ended the year with a surplus. The campuses have done an enormous amount of work resulting in approximately 300 positions being eliminated and \$25 million in costs avoided. This has been greatly helped by the contract agreements and the unions deserve our thanks. Simultaneously there has been enhanced collaboration and an increase in appropriate "Systemness" in that efforts that benefit from coordination or centralization are being pursued.

Challenges: Current economic conditions suggest that there will be little improvement in revenues in the next 12-18 months. Thus efforts like Bending The Trend (a system-wide effort to reduce the increase in healthcare costs) need to be actively pursued. Also the current admissions and marketing initiatives will be central to ensuring strong enrollments. Finally, we are entering a new round of negotiations that will be critical to how we proceed.

Conclusion

We are now one year into our implementation of New Challenges, New Directions. There is growing alignment between system goals and campus goals; programs are being changed or added from a strategic perspective; tuition increases have been limited; and, costs are under greater control. All this is occurring in an environment marked by greater transparency, collaboration, and cooperation. Thus progress is tangible. But immense challenges lie ahead and so we must maintain our focus, our commitment and our courage.