



# **NEW CHALLENGES, NEW DIRECTIONS**

***Achieving Long-term Financial Sustainability***

**January 11, 2009**

# The Challenge

- The University of Maine System must close a long-term structural financial gap between revenues and expenses that undermines fiscal sustainability.

# Underlying Factors

- Demographics – declining high school grads
- Fiscal crisis – no expectation of growth in state revenues or level of support
- Rising costs – energy, health care, technology, salaries and wages
- Investment income – impact of fiscal crisis
- Flat enrollments – multi-year trend
- Affordability – need to control tuition increases

# The Financial Facts

## **Projected Annual Base-Budget Spending Savings Needed to Balance UMS Operating Budget (\$ in Millions)**

<b>FY10</b>	<b>FY11</b>	<b>FY12</b>	<b>FY13</b>	<b>Four Year Total</b>
<b>\$18.0</b>	<b>\$10.0</b>	<b>\$8.6</b>	<b>\$6.2</b>	<b>\$42.8</b>

### Assumptions

- **Enrollment:** flat with the current student body profile
- **Tuition:** average 6% increase per year
- **Investment Income:** adjusted downward to reflect current economic trends
- **Operating costs:** increasing at approximately 5.0% per year (includes energy, inflation, health care, salaries and wages, and other expenditures)
- **State appropriations:** increases/decreases of -2.7%, 0%, 1%, and 2% for FY10-13 respectively.

# The Charge

The Board of Trustees have asked the Presidents and the Chancellor to present a plan that leads the University of Maine System to long-term financial sustainability for its seven universities.

## Goals

1. Serve the changing and evolving knowledge, research, public service, and educational needs of the people, businesses, and organizations of the State but most of all, our students
2. Keep the cost of a university education affordable for students by moderating tuition increases.
3. Implement efficiencies, organizational changes, and further economies of scale to bring spending in line with available resources.

# Past Approach To Budget Shortfalls

- Individual campuses and System Office given cost reduction targets
- Chancellor and Presidents work independently to reduce costs

## Results

- Targets have been met thanks to extraordinary work of Chancellor's staff, Presidents, and campus faculty and staff
- Few collaborative approaches and an inability to achieve economies of scale
- Differential impact on students by campus
- Each campus losing flexibility and options

# Proposed Approach To Structural Gap

1. Immediately begin the process to implement System-wide delivery of selected services, where appropriate, utilizing technology and the power of MaineStreet (PeopleSoft)
2. Review academic programs for viability, duplication, and efficiency
3. Charge a broad-based Task Force to assess and recommend new, transformative ways to organize the structure and work of the System (report due June 2009)

# Change Model - Arenas of Action

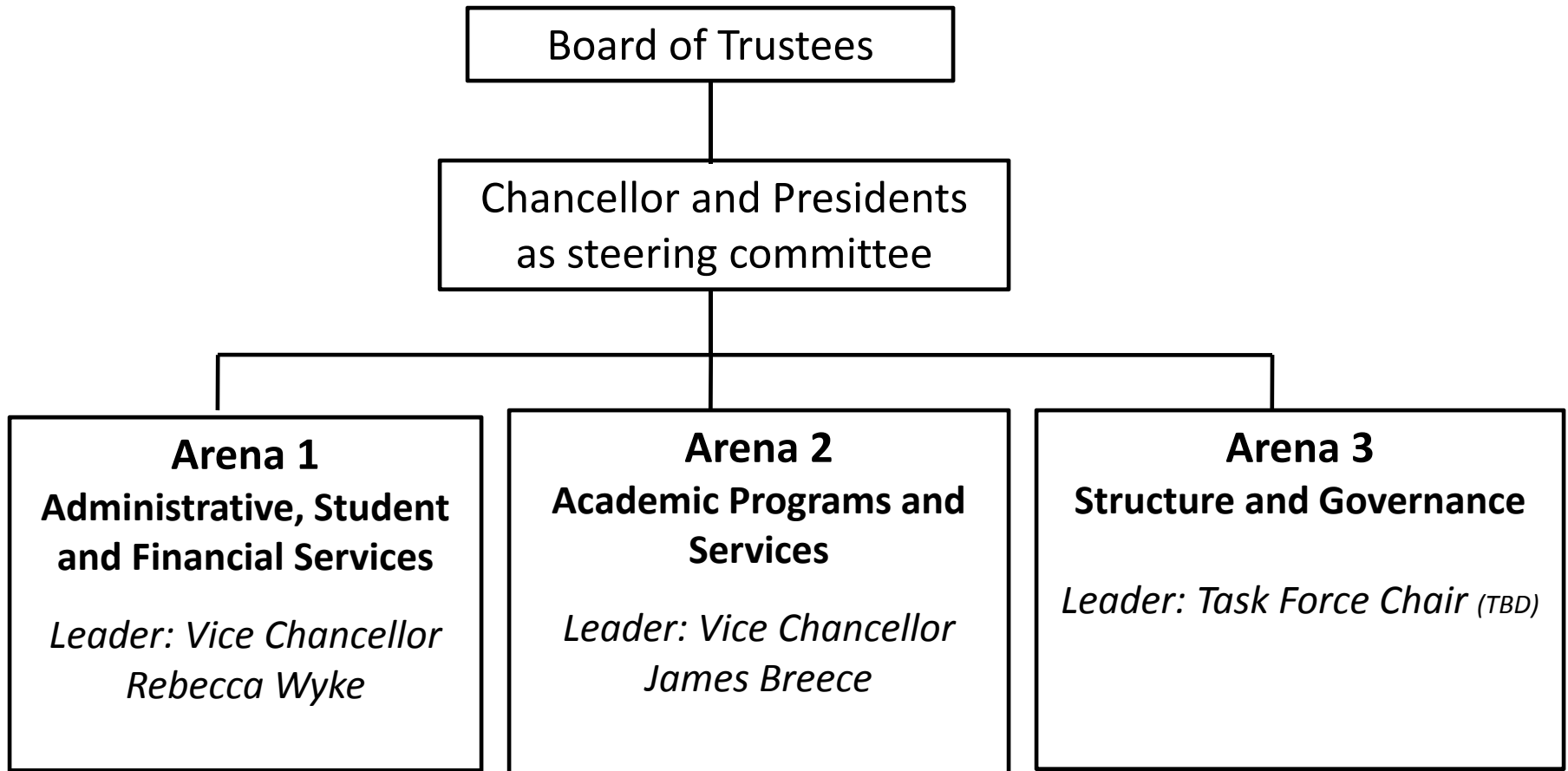
**Arena 1:** Administrative, Student and Financial Services

**Arena 2:** Academic Programs and Services

**Arena 3:** Structure and Governance

# New Directions...New Challenges

## Overall Working Structure



# HIGHLIGHTS

## Arena 1: Administrative, Student, and Financial Services

**Leader:** Vice Chancellor Wyke

**Goal:** \$17-20 million in base budget savings over 4 years; \$7-10 million in revenue

**Reporting:** Ongoing to Chancellor and Presidents; progress report June 2009

- Proposed Actions:**
1. Establish a centralized IT function
  2. Achieve greater centralization of back-office services and enhance oversight
  3. Make greater use of Internet-based services to support academic activities and student services (Subgroup leader Rosa Redonnett, Exec. Dir. of Student Affairs)
  4. More focused work force management
  5. Set administrative staffing ratio targets for each institution
  6. Seek changes in collective bargaining and benefits design
  7. Revise management group policies
  8. Establish a centralized purchasing function and re-bid major contracts using System-wide contract where possible
  9. Pursue partnerships with other state entities
  10. Seek revenue enhancements (Subgroup leader Rosa Redonnett, Exec. Dir. of Student Affairs)

# HIGHLIGHTS

## Arena 2: Academic Programs and Services

**Leader:** Vice Chancellor Breece

**Goal:** \$8-10 million in base budget savings over 4 years

**Reporting:** Progress report by June 2009

- Proposed Actions:**
1. Complete a thorough and timely review of academic programs
  2. Establish student-faculty ratio targets for each university
  3. Establish enrollment and graduation targets for each institution
  4. Expand use of ITV, Internet, and outreach centers

# HIGHLIGHTS

## Arena 3: Structure and Governance

**Leader:** Task Force Chair (TBD)

**Goal:** System restructuring; \$3-5 million in base budget savings over 4 years

**Reporting:** Final report to Chancellor and Presidents, June 2009

- Areas of Inquiry:**
- Size and role of the Chancellor's Office
  - Structure, funding, and oversight of System-wide Services
  - Levels and sources of funding for universities, including appropriations
  - Relationships among universities
  - Focus of university missions
  - Optimum levels of academic offerings in a geographic area

## Arena 3 (cont'd): Structure and Governance

### **Task Force Charge:**

The Task Force will gather data, review models in other states, gather input from individuals and groups inside and outside the System, to foster recommendations on the future structure and function of the System that result in lower costs of operation and greater financial sustainability.

### **Task Force Membership:**

All Task Force members will be chosen by the Chancellor, in consultation with the Board Chair, unless otherwise indicated.

1. Two current UMS Trustees appointed by the Board Chair
2. One current UMS President
3. One member of the public with senior-level experience in higher education
4. One member of the public with senior-level experience in large, private sector organizations
5. One member of the public with experience in business, economic development, and work force development
6. The Commissioner of Education or designee
7. One current UMS Student Representative to the Board
8. Two current UMS Faculty Representatives to the Board
9. One union leader knowledgeable about support services
10. One union leader knowledgeable about academic programs

Both the Vice Chancellor for Finance & Administration and Treasurer, and the Vice Chancellor for Academic Affairs will serve ex officio.

## Closing The Gap – Financial Targets By Functional Area

### **Projected Ranges of Four-Year Base-Budget Revenue and Savings Targets By Functional Area (\$ in millions)**

Administrative, Student, and Financial Services	\$17-20
Academic Programs and Services	8-10
Structure and Governance	3-5
Revenue Enhancement	7-10
<b>Total</b>	<b><u><u>\$35-45</u></u></b>

# Timeline

- January 2009:**
  - BOT Action
  - Form Task Force (Arena 3)
  - Initiate action in Arenas 1 and 2
- Feb - May 2009:**
  - Task Force consults, gathers information
  - Ongoing consultation and implementation in Arenas 1 and 2
- June 2009:**
  - Task Force submits report to Chancellor
  - Progress reports from Arenas 1 and 2
- July 2009:**
  - Chancellor and Presidents submit report and recommendations to Trustees
- September 2009:**
  - Trustees action on recommendations

# Conclusion



- Transformational change is imperative
- The work has great urgency
- The process will be open, transparent, and flexible
- The goal is financial sustainability
- The opportunity is to craft our university in new ways to ensure its continued capacity to meet the evolving knowledge, resources, public service, and educational needs of Maine's people, businesses, and communities