APPENDIX IV

Scan of the External Environment: What Maine Needs From Its Higher Education
Summary of the External Environment

Strategic Planning Task Force

December 15, 2003
OUTLINE

- State Expectations
- National Economy
- Reauthorization of the Higher Education Act
- State Economy
- State and Regional Demographics
- Other Higher Education Institutions
- Financial Issues
STATE EXPECTATIONS

• Quality
• Geographic Access
• Affordability
• R&D
• Public Service/Outreach
• Regional Cultural Centers
“30 and 1000”

“How to Build a Knowledge-based Economy in Maine and Raise Incomes to the National Average by 2010”

Maine State Planning Office Report
and the State’s Strategy Objectives

- 30% of Maine’s Adults with 4-Year College Degree
  - 19% FY1998
- $1000 of R&D investment per worker per year
  - $255 per worker spent in FY1998
- Produces $28,000 per capita income
  - $23,529 per capita income in 1998
UMS Enrollment

Fall Headcount by Degree Level
1993 - 2003

Office of Planning and Policy Analysis
Geographic Access

Population Density
- 0 - 0.51
- 0.51 - 1.4
- 1.4 - 3.19
- 3.19 - 7
- 7 - 16.31

University Campus
UMS UC Centers

University of Maine System

KEY
- UMS Campuses
- UMS Centers
- Course Sites
- USM/LAC Campuses
- USM/Graham Campus
- University College of Bangor

University of Maine System
Office of Planning and Policy Analysis
<table>
<thead>
<tr>
<th>Institution</th>
<th>Tuition 2002/2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Worcester State College</td>
<td>$3,824</td>
</tr>
<tr>
<td>Framingham State College</td>
<td>$3,855</td>
</tr>
<tr>
<td>Westfield State College</td>
<td>$3,905</td>
</tr>
<tr>
<td>Fitchburg State College</td>
<td>$4,530</td>
</tr>
<tr>
<td>Bridgewater State College</td>
<td>$4,482</td>
</tr>
<tr>
<td>Rhode Island College</td>
<td>$4,626</td>
</tr>
<tr>
<td>Worcester State College</td>
<td>$3,850</td>
</tr>
<tr>
<td>Framingham State College</td>
<td>$3,905</td>
</tr>
<tr>
<td>Framingham State College</td>
<td>$4,530</td>
</tr>
<tr>
<td>Framingham State College</td>
<td>$4,482</td>
</tr>
<tr>
<td>Framingham State College</td>
<td>$4,626</td>
</tr>
</tbody>
</table>

Average: $4,030
In-State UMS Tuition and Fees as a Percentage of Maine Household Income

<table>
<thead>
<tr>
<th>Year/Year</th>
<th>Tuition &amp; Fees</th>
<th>Lowest</th>
<th>Second</th>
<th>Third</th>
<th>Fourth</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003/04</td>
<td>5,117</td>
<td>39.7%</td>
<td>17.1%</td>
<td>10.6%</td>
<td>6.8%</td>
</tr>
<tr>
<td>2002/03</td>
<td>4,746</td>
<td>38.3%</td>
<td>16.3%</td>
<td>10.0%</td>
<td>6.5%</td>
</tr>
<tr>
<td>2001/02</td>
<td>4,472</td>
<td>36.8%</td>
<td>15.7%</td>
<td>9.7%</td>
<td>6.2%</td>
</tr>
<tr>
<td>2000/01</td>
<td>4,237</td>
<td>35.3%</td>
<td>15.7%</td>
<td>9.4%</td>
<td>6.0%</td>
</tr>
<tr>
<td>1999/00</td>
<td>4,071</td>
<td>35.4%</td>
<td>15.7%</td>
<td>9.4%</td>
<td>6.1%</td>
</tr>
<tr>
<td>1998/99</td>
<td>3,982</td>
<td>36.4%</td>
<td>16.1%</td>
<td>9.6%</td>
<td>6.2%</td>
</tr>
<tr>
<td>1997/98</td>
<td>3,822</td>
<td>36.8%</td>
<td>16.3%</td>
<td>9.7%</td>
<td>6.2%</td>
</tr>
<tr>
<td>1996/97</td>
<td>3,593</td>
<td>36.0%</td>
<td>16.0%</td>
<td>9.6%</td>
<td>6.2%</td>
</tr>
</tbody>
</table>
NATIONAL ECONOMY

- Signs of economic improvement
- Slow job creation
- Uncertainty (war, foreign trade, deficit)
- Several State governments are running deficits
  - $2.8 billion cumulative budget gap

The Maine economy typically follows the US economy
Measures

Prime Rate:
Rate of Interest in Money and Capital Markets

The prime rate is a 7-day rate with weekends and holidays containing the prior day's value.
Source: Federal Reserve System

Real GDP

Source: Bureau of Economic Analysis
REAUTHORIZATION OF THE HIGHER EDUCATION ACT

Potential:

• Accountability and outcomes assessment
• Limit on tuition increases
• Reallocation of federal financial aid
Reauthorization of the Higher Education Act – Proposed:

<table>
<thead>
<tr>
<th>Institution</th>
<th>Allocation ($ in Thousands)</th>
<th>Fair Share ($ in Thousands)</th>
<th>Impact ($ in Thousands)</th>
<th>Impact %</th>
</tr>
</thead>
<tbody>
<tr>
<td>University of Maine</td>
<td>3,523</td>
<td>1,391</td>
<td>(2,132)</td>
<td>(61%)</td>
</tr>
<tr>
<td>University of Maine @ Augusta</td>
<td>512</td>
<td>492</td>
<td>(20)</td>
<td>(4%)</td>
</tr>
<tr>
<td>University of Maine @ Farmington</td>
<td>714</td>
<td>290</td>
<td>(424)</td>
<td>(59%)</td>
</tr>
<tr>
<td>University of Maine @ Fort Kent</td>
<td>406</td>
<td>70</td>
<td>(336)</td>
<td>(83%)</td>
</tr>
<tr>
<td>University of Maine @ Machias</td>
<td>423</td>
<td>84</td>
<td>(339)</td>
<td>(80%)</td>
</tr>
<tr>
<td>University of Maine @ Presque Isle</td>
<td>907</td>
<td>143</td>
<td>(764)</td>
<td>(84%)</td>
</tr>
<tr>
<td>University of Southern Maine</td>
<td>2,966</td>
<td>712</td>
<td>(2,254)</td>
<td>(76%)</td>
</tr>
<tr>
<td><strong>Total for University of Maine System</strong></td>
<td><strong>9,451</strong></td>
<td><strong>3,182</strong></td>
<td><strong>(6,269)</strong></td>
<td><strong>(66%)</strong></td>
</tr>
</tbody>
</table>
STATE ECONOMY

- Transitioning economy
- Uneven growth
- Aging population
- Shrinking workforce
- Low valued-added activities

**Outlook:**
- Will follow the National Economy
- Cautiously optimistic slow growth
- Very slow job growth
# Economic Outlook

**Maine Consensus Economic Forecasting Commission**  
Forecast of October 2003

<table>
<thead>
<tr>
<th></th>
<th>History</th>
<th>Forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ME Wage &amp; Salary Employment</strong></td>
<td>1.2%</td>
<td>0.8%</td>
</tr>
<tr>
<td><strong>Personal Income</strong></td>
<td>3.6%</td>
<td>5.5%</td>
</tr>
</tbody>
</table>
Relative Productivity
(real GSP per worker compared to national average)


CT ME MA NH RI VT

national average

Maine

University of Maine System
Office of Planning and Policy Analysis
STATE AND REGIONAL DEMOGRAPHICS

• Nationally:
  – Baby-boom and baby-boom echo
• New England has a larger share of “boomers”
• Net migration out of northern Maine
• Smaller high school graduation classes
Net Rate of Migration
1998 - 1999

Data: Margaret Chase Smith Center, UMaine
Projected High School Graduates
Simulations (nested percentages)

Currently:
54% of Maine H.S. graduates go on to college/university
of those:
50% attend a Maine institution

March 2003

Scenario 1:
The decline can be FULLY offset if nested percentages become:
58%
55%

Scenario 2:
The decline can be reduced in HALF if nested percentages become:
56%
53%

750 students

Status quo

First-time first-year Maine students attending UMS

Office of Planning and Policy Analysis
OTHER HIGHER EDUCATION INSTITUTIONS

• Maine Community College System
  – State-wide access

• University of Connecticut
  – New Infrastructure (Phase I - $1 billion)
Maine Community College System Enrollment

AY2004 Community College Enrollment

Increase in Community College Enrollments: AY2003 to AY 2004

Office of Planning and Policy Analysis
## University of Connecticut Capital Campaign

<table>
<thead>
<tr>
<th>FISCAL YEAR</th>
<th>AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996</td>
<td>112,542,000</td>
</tr>
<tr>
<td>1997</td>
<td>112,001,000</td>
</tr>
<tr>
<td>1998</td>
<td>93,146,000</td>
</tr>
<tr>
<td>1999</td>
<td>64,311,000</td>
</tr>
<tr>
<td>2000</td>
<td>130,000,000</td>
</tr>
<tr>
<td>2001</td>
<td>100,000,000</td>
</tr>
<tr>
<td>2002</td>
<td>100,000,000</td>
</tr>
<tr>
<td>2003</td>
<td>100,000,000</td>
</tr>
<tr>
<td>2004</td>
<td>100,000,000</td>
</tr>
<tr>
<td>2005</td>
<td>50,000,000</td>
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</tbody>
</table>
FINANCIAL ISSUES

• Nationally, state government revenues are recovering
• Maine general fund revenues are growing
• DJIA is recovering but still below historic highs
• Interest rates remain low
State General Fund Revenues

General Fund Revenue:
1999-2007

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenues</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY99</td>
<td>$2,000,000,000</td>
</tr>
<tr>
<td>FY00</td>
<td>$2,100,000,000</td>
</tr>
<tr>
<td>FY01</td>
<td>$2,200,000,000</td>
</tr>
<tr>
<td>FY02</td>
<td>$2,300,000,000</td>
</tr>
<tr>
<td>FY03</td>
<td>$2,400,000,000</td>
</tr>
<tr>
<td>FY04</td>
<td>$2,500,000,000</td>
</tr>
<tr>
<td>FY05</td>
<td>$2,600,000,000</td>
</tr>
<tr>
<td>FY06</td>
<td>$2,700,000,000</td>
</tr>
<tr>
<td>FY07</td>
<td>$2,800,000,000</td>
</tr>
</tbody>
</table>

Forecasted:
- FY01: -0.2%
- FY02: -2.5%
- FY03: 2.7%
- FY04: 9.0%
- FY05: 1.1%
- FY06: -0.6%
- FY07: 4.0%

Data: Maine Revenue Forecasting Committee
State General Fund

- **State revenues are robust**
  - Many one-time revenues for FY04
    - Sale of State Liquor Stores
    - Delaying of national conformity
    - Tax Amnesty Program

- **The issue is NOT revenues**

- **The issue is Expenditures**
  - DHS
  - Many other over budgeted items
UMS State Appropriations

UMS E&G Appropriations as a Percentage of Undedicated State General Fund Revenue

UMS E&G Appropriation as a Percentage of E&G Appropriations to General Fund
# UMS Endowments

<table>
<thead>
<tr>
<th>CAMPUS</th>
<th>FY03</th>
<th>FY02</th>
<th>FY01</th>
<th>FY00</th>
<th>FY99</th>
<th>FY98</th>
<th>FY97</th>
</tr>
</thead>
<tbody>
<tr>
<td>UM</td>
<td>$47,660,767</td>
<td>$47,781,060</td>
<td>$55,874,464</td>
<td>$63,893,924</td>
<td>$62,204,060</td>
<td>$55,024,921</td>
<td>$48,145,382</td>
</tr>
<tr>
<td>UMA</td>
<td>1,122,985</td>
<td>1,079,111</td>
<td>1,179,780</td>
<td>1,250,363</td>
<td>1,075,362</td>
<td>937,731</td>
<td>776,522</td>
</tr>
<tr>
<td>UMF</td>
<td>6,462,166</td>
<td>6,100,864</td>
<td>5,478,347</td>
<td>5,958,322</td>
<td>5,637,533</td>
<td>4,639,654</td>
<td>3,985,880</td>
</tr>
<tr>
<td>UMFK</td>
<td>1,285,183</td>
<td>1,320,840</td>
<td>1,487,145</td>
<td>1,641,918</td>
<td>1,403,560</td>
<td>1,294,672</td>
<td>1,094,875</td>
</tr>
<tr>
<td>UMM</td>
<td>724,736</td>
<td>740,663</td>
<td>862,418</td>
<td>946,335</td>
<td>867,822</td>
<td>765,272</td>
<td>672,737</td>
</tr>
<tr>
<td>USM</td>
<td>13,152,842</td>
<td>12,155,511</td>
<td>13,430,289</td>
<td>13,576,252</td>
<td>12,762,747</td>
<td>11,151,215</td>
<td>9,653,689</td>
</tr>
<tr>
<td>UMPI</td>
<td>775,288</td>
<td>805,176</td>
<td>938,434</td>
<td>1,075,826</td>
<td>1,052,961</td>
<td>954,530</td>
<td>835,991</td>
</tr>
<tr>
<td>SWS</td>
<td>7,159,738</td>
<td>7,451,855</td>
<td>8,668,595</td>
<td>9,059,336</td>
<td>7,871,508</td>
<td>7,242,450</td>
<td>5,479,649</td>
</tr>
<tr>
<td>TOTAL PRINCIPAL</td>
<td><strong>$78,343,705</strong></td>
<td><strong>$77,435,080</strong></td>
<td><strong>$87,919,472</strong></td>
<td><strong>$97,402,276</strong></td>
<td><strong>$92,875,553</strong></td>
<td><strong>$82,010,445</strong></td>
<td><strong>$70,644,725</strong></td>
</tr>
</tbody>
</table>

Office of Planning and Policy Analysis
On October 15, 2003, during a UMS BOT retreat, the Board discussed the external environment.....
Highlights of the Discussion

October 15, 2003

• Movement of wealth, population, and jobs within Maine
• Pool of H.S. students will be smaller than today
• Tight financing
• Maine’s economy is transitioning away from a low skilled work base
• Opportunities to attract high tech think tanks to Maine
• Decline in large employers and a rise in entrepreneurial companies
Highlights of the Discussion continued…

• The natural resource based economy in northern Maine will continue, but it will employ fewer people who will need higher skills

• Economic differences between and among regions will create differing educational requirements and opportunities for success

• The state needs a serious, focused investment plan and policy