



Maine's
Public
Universities

UNIVERSITY OF MAINE SYSTEM

Maine's Most Valuable Asset

The Catalyst for Maine's Future

FY2007 Budget Presentation

Committee on Appropriations & Financial Affairs

Committee on Education & Cultural Affairs

Chancellor Joseph W. Westphal

Monday, February 6, 2006

Serving Maine Citizens

- Record number of students
 - ❖ 34,245 total students (part-time and full-time)
 - ❖ 24,368 full-time equivalent students (FTE)

- Record number of degrees awarded in 2005: 5,331

- Continued success of Maine Economic Improvement Fund
 - ❖ Attracted \$41.9 million in federal and private investments in FY05
 - ❖ Supporting 743 FTE jobs in Maine

- Attracted \$135 million in grants and contracts in FY05

UMS Overall Financial Environment

➤ FY07 Projected Shortfall

\$15 million projected operating shortfall

\$9 million projected unfunded depreciation

\$24 million Total Projected Shortfall

➤ Strategic Initiatives (unfunded)

- Nursing programs
- Grad. School of Biomedical Sciences
- MEIF
- Teacher Education Partnership
- Libraries
- Student Financial Aid
- Market based compensation

➤ System-wide Deferred Maintenance

\$300 million

Appropriation Request

- FY06 appropriation \$183.2 million
- FY07 appropriation \$183.1 million
- UMS Supplemental Request (FY07) \$5 million
- Governor's budget \$1.75 million
- **Unfunded request \$3.25 million**

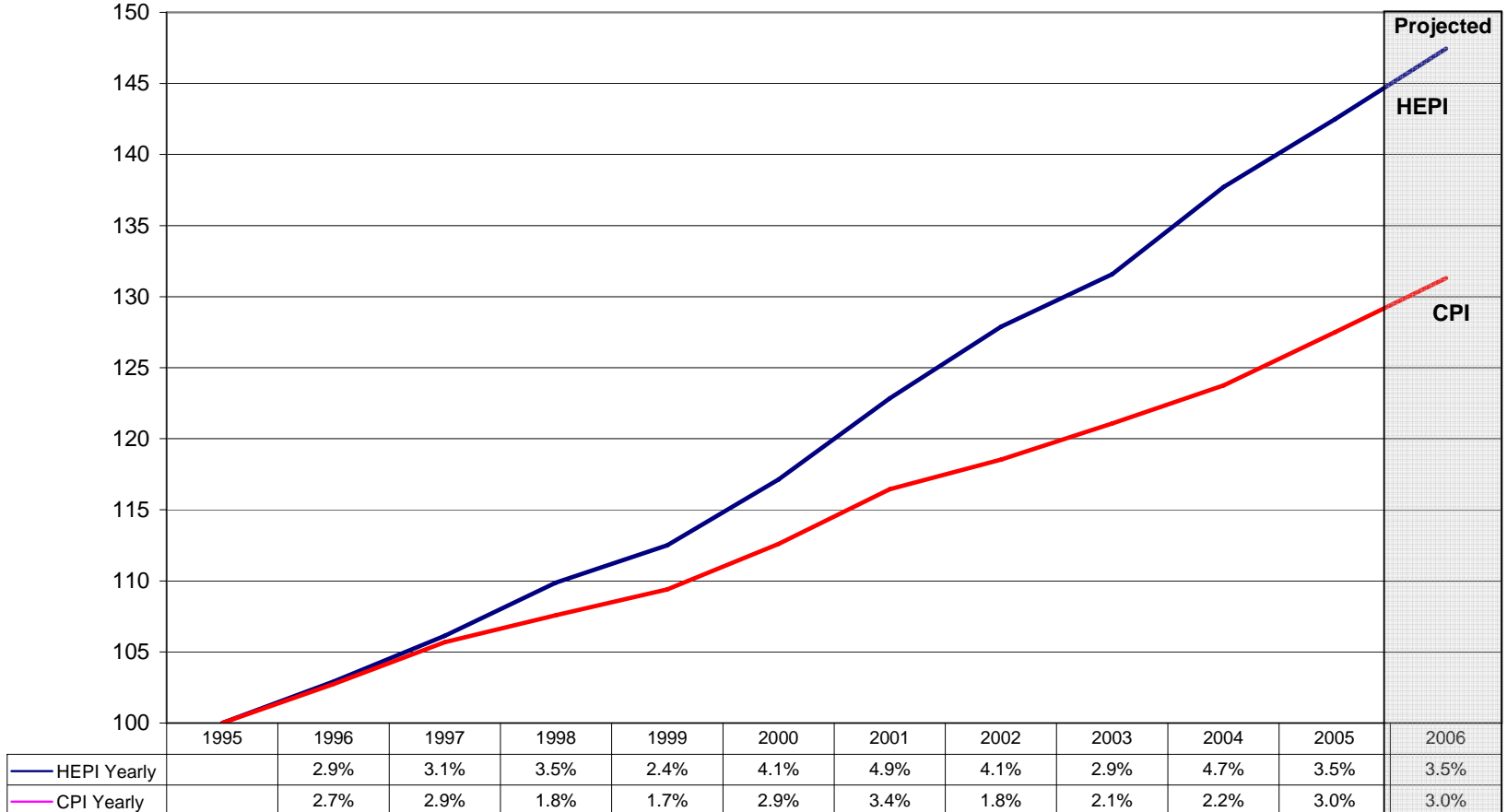
What's Driving Up Higher Education Costs?

- Healthcare premiums
- Energy costs
- Modest employee compensation increases
- Federal and State Mandates
 - ❖ (e.g., ADA, HIPAA, Gramm-Leach-Bliley, Sarbanes-Oxley, Clery Act, E-911)
- Student support services
 - ❖ (e.g., waivers, scholarships, student conduct and counseling, NCAA compliance)
- Infrastructure security
 - ❖ (e.g., libraries, technology, laboratories and scientific equipment, health and safety)

Eroding Purchasing Power

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Higher Education Price Index (HEPI) & Consumer Price Index (CPI)
1995 - 2006



Cost-cutting Measures

- Using operating funds to cover collective bargaining increases
- Using operating funds to supplement student financial aid
- Increasing individual workloads to avoid filling position vacancies
- Reduced or eliminated technology upgrades and professional development funding
- Relocated employees to other buildings to avoid spending money on environmental health and safety remediation

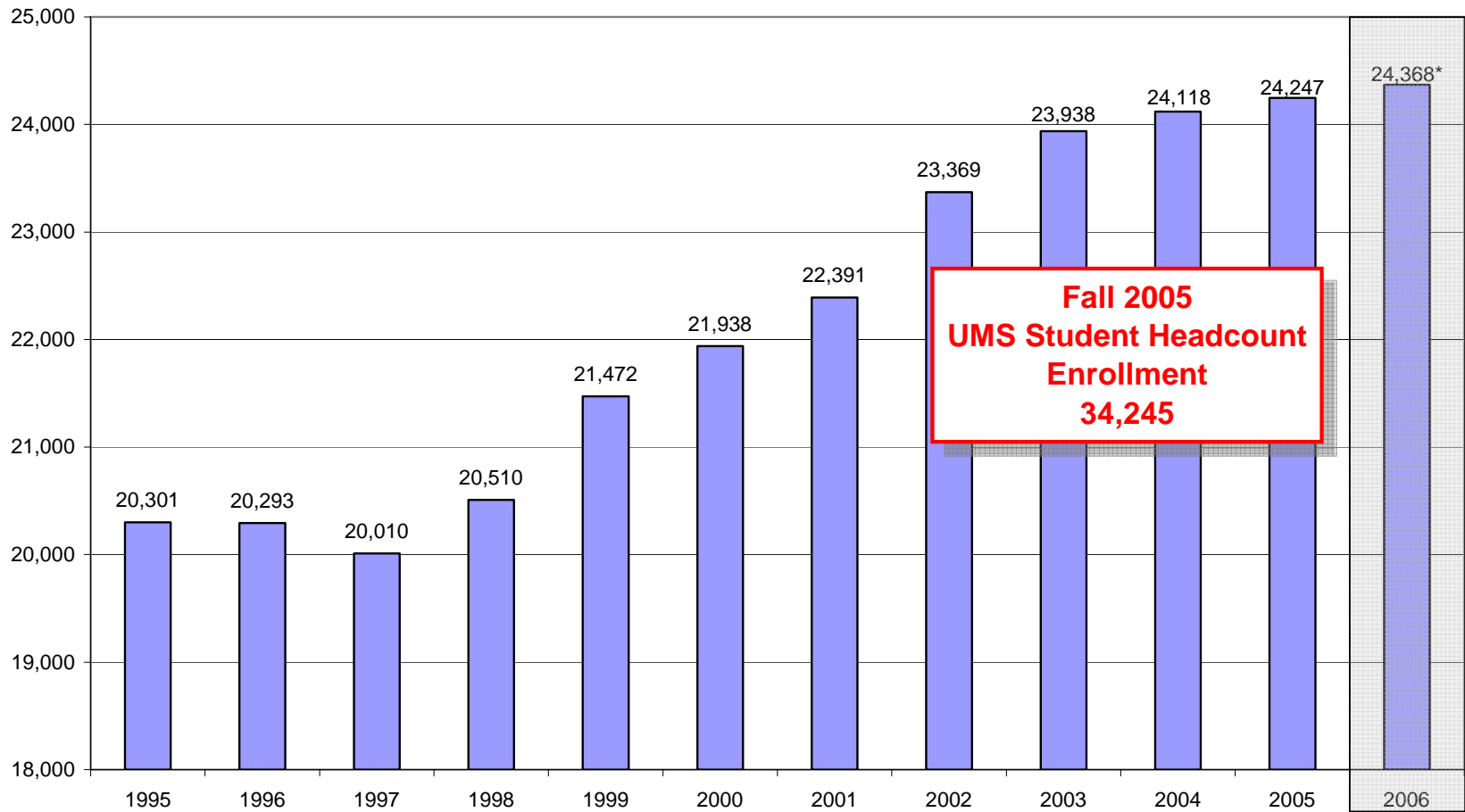
Ways UMS Has Increased Efficiency

- Streamlined and centralized functions
- Increased use of technology for administrative functions and services
- Workforce management
- Adopted an integrated employee health strategy
- Implemented energy conservation measures
- Centralized management of System-wide insurance and audit functions
- More collaborations with the State, MCCS, and other universities

Record Enrollments

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UMS FTE Student Enrollment
Fall 1995 - Fall 2006

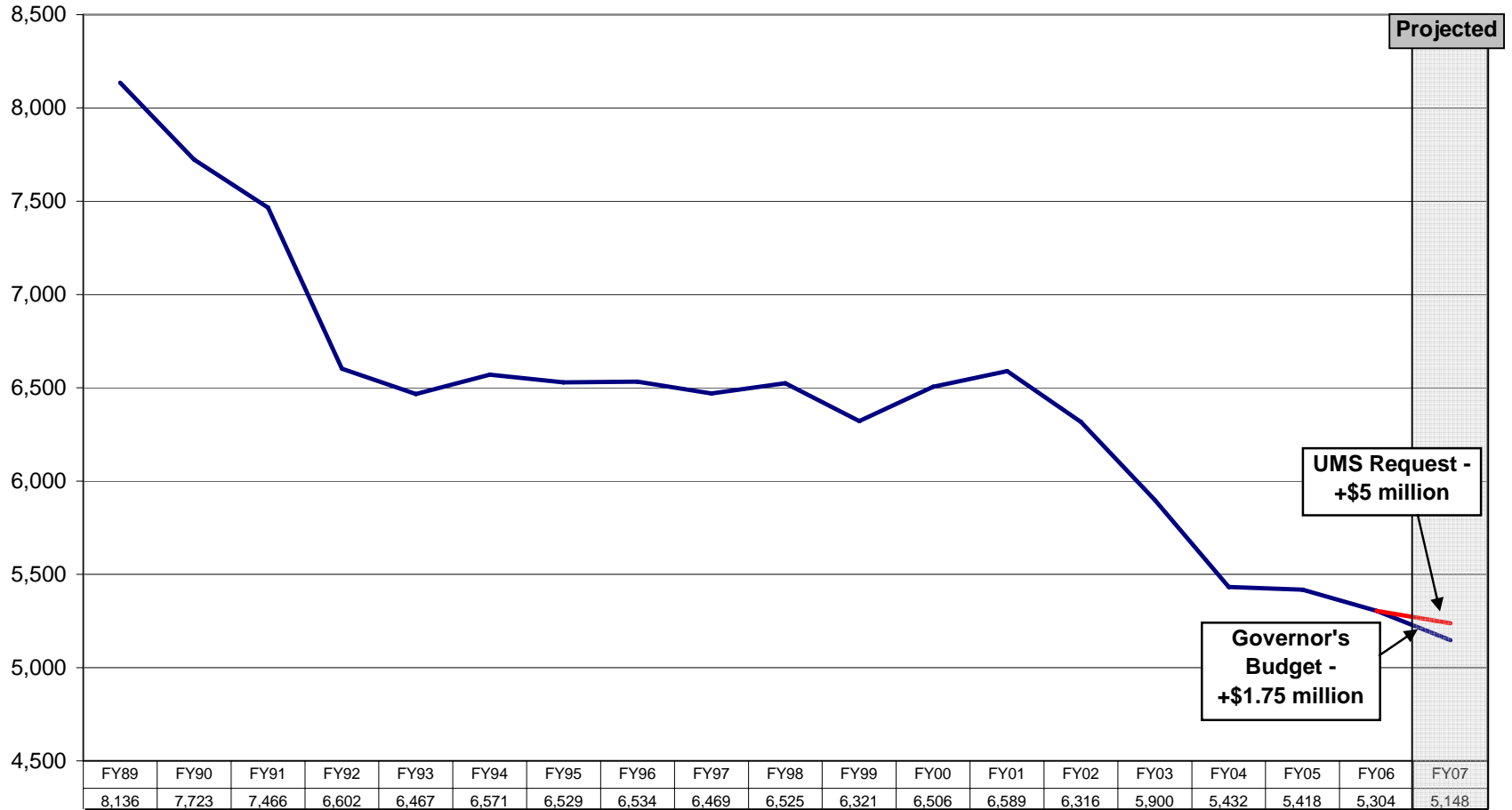


*Projected to grow at 0.5%

Falling State Support Per Student

State Appropriations per FTE Adjusted for Inflation
FY89 - FY07

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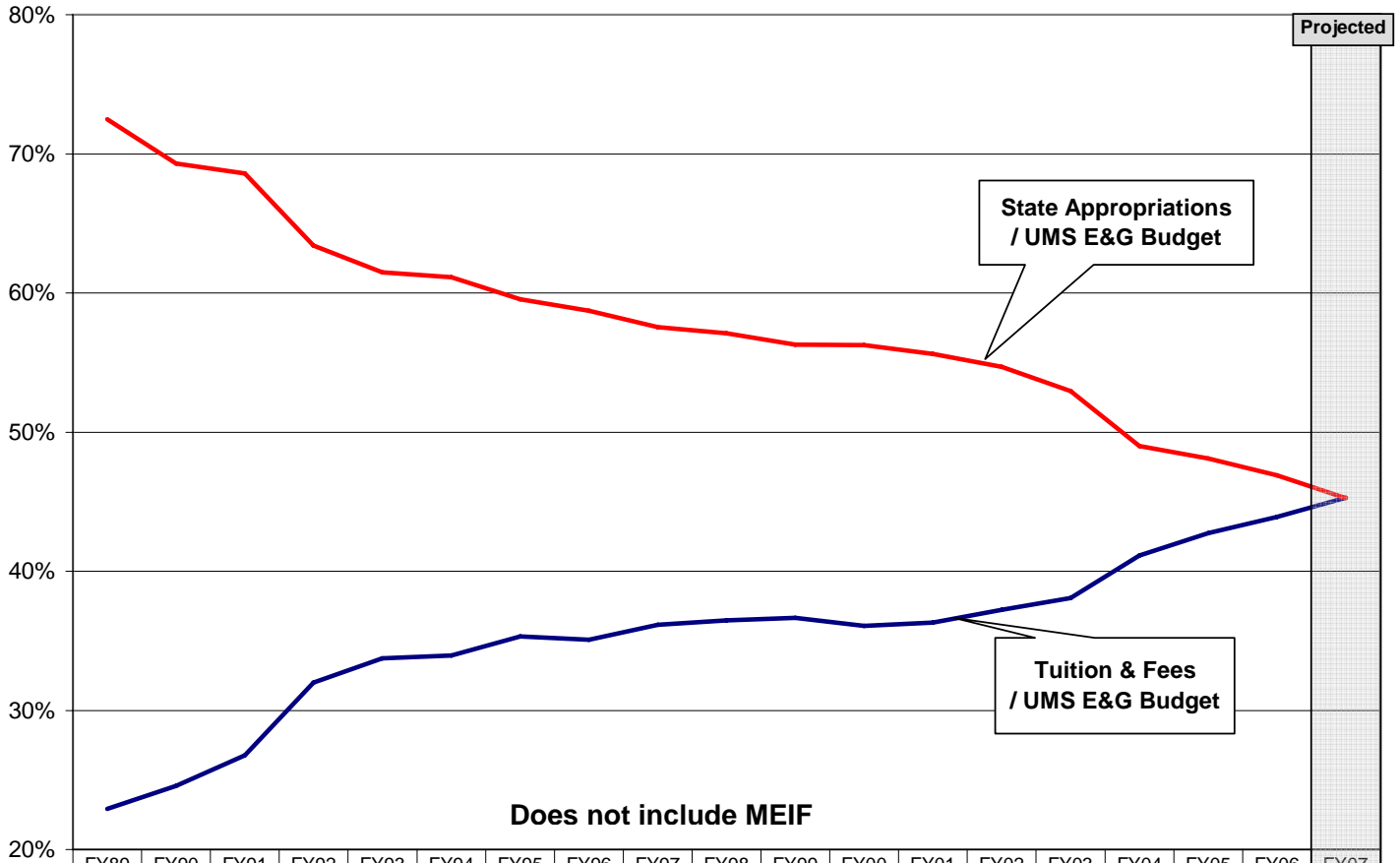


Data: Price Indices provided by Common Fund; base year FY96
FTE enrollment and state appropriations provided by UMS.

Squeeze on Tuition and Fees

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Share of UMS E&G Budget by State Appropriation and Tuition & Fee Revenue
FY89 - FY07



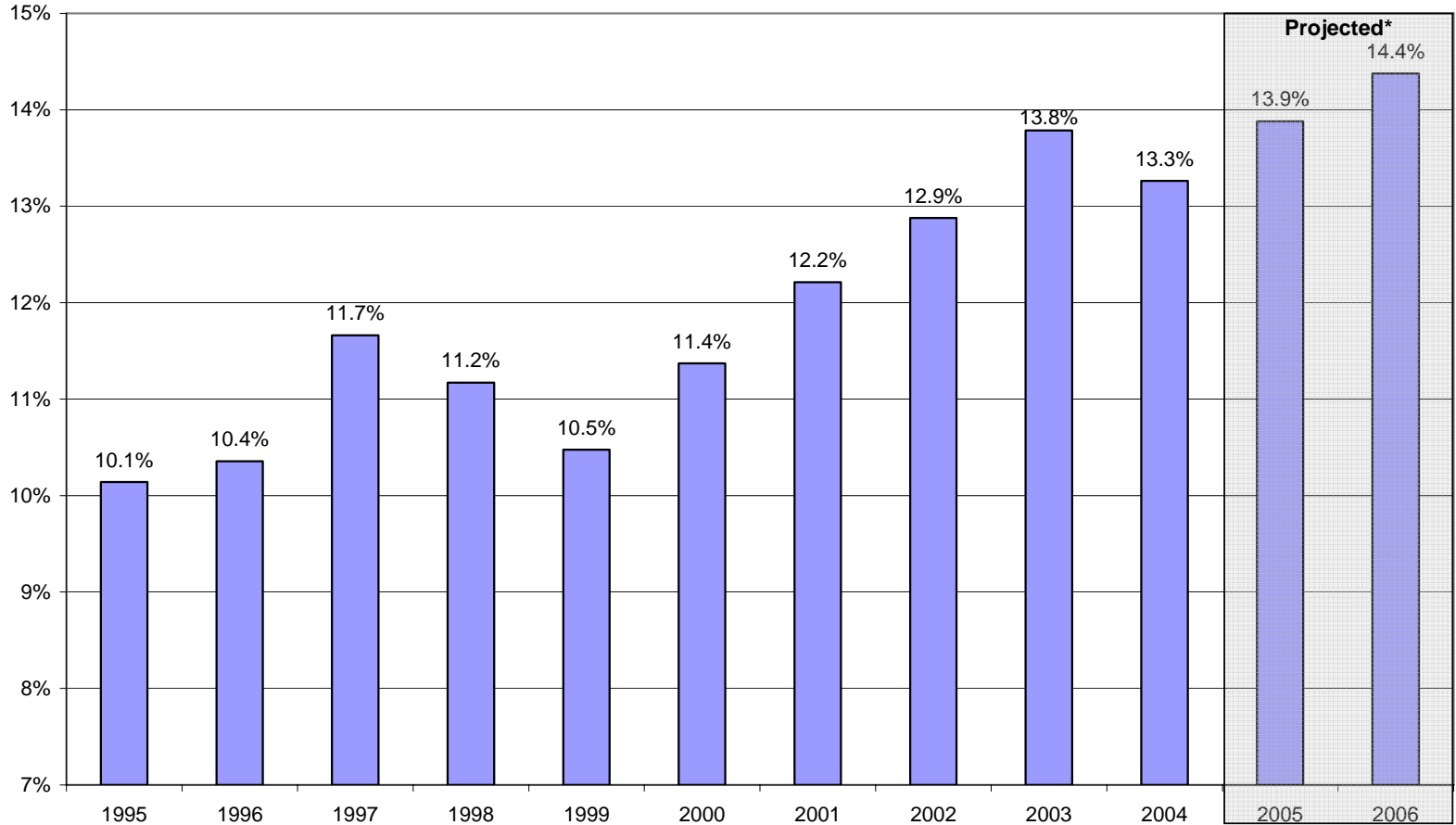
Does not include MEIF

	FY89	FY90	FY91	FY92	FY93	FY94	FY95	FY96	FY97	FY98	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07
Tuition & Fees/E&G Budget	23%	25%	27%	32%	34%	34%	35%	35%	36%	36%	37%	36%	36%	37%	38%	41%	43%	44%	45%
Appropriations/E&G Budget	72%	69%	69%	63%	61%	61%	60%	59%	58%	57%	56%	56%	56%	55%	53%	49%	48%	47%	45%

Squeeze on Maine Households

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Ratio of UMS Tuition & Fees to Maine Household Income
1995 - 2006



*2005-2006 household income projected to grow at CPI.
Data: US Census Bureau

Minimized Tuition Increases

	FY01/02	FY02/03	FY03/04	FY04/05	FY05/06
UMS Average In-State Tuition and Fees	\$4,472	\$4,746	\$5,117	\$5,486	\$5,913
annual % change		6.1%	7.8%	7.2%	7.8%
'02-06 % change					32.2%
Average National Tuition and Fees	\$3,766	\$4,098	\$4,645	\$5,126	\$5,491
annual % change		9.0%	13.0%	10.0%	7.1%
'02-06 % change					45.8%
GAP (UMS and National Average)	\$706	\$648	\$472	\$360	\$422

Data:

UMS and College Board (2005), page 10

Under-funding and the Consequences for Students

- Major increases in tuition and fees
- Reduced access to needed programs and services
- Delays in graduation
- Increase in number of drop-outs

Additional Consequences

Consequences of under-funding could include:

- Reduced ability to provide student financial aid
- Low or no employee compensation increases
- Delay of scheduled building renovations
- Delayed purchases of essential equipment
- Delay strategic investments in technology and student services
- Reduction in workforce
- Loss of national program accreditation

Example:

UMPI's Recreation & Leisure Services Program

- Popular program
- Attracted in-state and out-of-state students
- Had three faculty members, the minimum necessary for accreditation
- Faculty members left for better paying position
- Loss of faculty caused drop in student enrollment (and tuition revenue)
- Also resulted in loss of program accreditation

Example: Nursing Programs

- Programs offered at USM, UMaine, UMFK, and UMA
- All have been at full student capacity (1,440) for past five years
- Enrollment capped to protect accreditation
- Waiting lists exist for admission to our nursing programs
- Two factors restrict ability to accept more students:
 - Insufficient number of faculty to supervise additional students' clinical work
 - Insufficient laboratory space to accommodate additional students

Consequences for Maine Citizens

- Continued “brain drain” of youth
- A weakened higher education infrastructure
 - ❖ Inadequate facilities
 - ❖ Loss of faculty to out-of-state universities
- Fewer educated citizens to support civic and community life
- A weaker tax base
- Continued social and health issues
 - ❖ Poverty
 - ❖ Illiteracy
 - ❖ Chronic illnesses and drug addictions

Consequences for Maine's Economy

- Weakened capacity for R&D and commercialization
- Reduced ability to serve small businesses, entrepreneurs
- Fewer university graduates to fill jobs
- Weakening of Maine's attractiveness as a place to start, sustain, or grow a business

A Partnership

- Maine faces serious social, economic, and education-related conditions.
- \$5 million in unencumbered supplemental appropriation will help UMS minimize tuition increases and maintain quality.
- With adequate State support, Maine's university system can be the State's most effective tool for addressing social, educational, and economic challenges.
- Investment in UMS will produce a return on investment that far exceeds the upfront costs.