I. OVERVIEW

The UMS Strategic Plan adopted by the Board of Trustees on September 20, 2004 contains nine strategic directions. The sixth strategic direction deals with accountability as stated above. Nationally, many University Systems are implementing accountability standards and feel that they are necessary to achieve student success, quality research and service, and greater productivity in higher education. The University of Maine System, through its Strategic Plan, embraces this philosophy and course of action.

The Maine State Government currently collects four productivity measures for UMS annually:

- Student enrollment
- Financial aid awards
- Gifts and donations received
- R&D expenditures

While these measures are collected, there is very little discussion about them by State policy leaders and there are no financial decisions made based upon them. More importantly, many have often questioned if these four measures accurately reflect UMS’s contributions to the Maine economy and the citizens of Maine.

Before UMS and its universities can be held accountable, one must first address what its being accountable for. Until this is fully discussed and determined, any policy recommendation may risk generating unintended consequences and creating an unleveled playing field for the University System and its individual universities.

II. PROGRESS MADE TO DATE

The UMS Strategic Plan Implementation Planning Process, adopted by the Board of Trustees, established a working committee on the issue of accountability. The committee is comprised of faculty, administrators and a student from the University System (see
appendix A). The committee held its first meeting on March 22, 2005 to examine the overall issue, review the external and internal financial environments, and established a work plan (see appendix B). This work resulted in a one-day retreat held on May 2, 2005 and was facilitated by Paul Lingenfelter, Executive Director, State Higher Education Executive Officers (SHEEO).

The committee unanimously agreed that before any serious work can be conducted concerning individual universities, the University System must address its importance and relationship with the needs of Maine citizens. This discussion was launched at the retreat and involved two main areas of discussion: accountability measures and internal funding methods. Below captures the essence of this discussion as facilitated by Paul Lingenfelter.

**ACCOUNTABILITY MEASURES\(^1\)**

UMS must lead the discussion on State economic, social, and cultural needs and how the University System can serve the State by “closing the gaps.” UMS must assist the State’s public agenda. In doing so, UMS must work cooperatively with State leaders to address principles, accountability components, and responsibilities. These items should comprise the following points:

**Fundamental Principles:**
- Shared responsibility among all constituents for accountability and performance.
- Effective accountability is not based on fear or minimum standards.

**Components of Effective Accountability:**
- Affirm and pursue fundamental goals
- Focus on priorities
- Measure results

**Institutional Responsibilities:**
- Improve teaching and learning
- Assure access and affordability
- Assure quality and value
- Improve productivity

Following a general discussion of the principles, accountability components and responsibilities, it was suggested that the institutional responsibilities may be too self-serving and even detrimental to UMS. The committee then attempted to craft new and more relevant points that support the public agenda in Maine. Below are possible broad statements capturing the importance and responsibility of higher education in Maine:

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• Educational excellence
• Conduct research, scholarship, and public outreach consistent with an institution’s mission
• Economic growth – jobs and careers
• Quality of life – maintaining and strengthening; cultural diversity
• Prepare students for secondary education
• Efficient uses of public resources
• Innovation and entrepreneurship; creativity and leadership development
• Industrial diversity – potential; natural resources; tourism
• Skilled labor supply and demand
• Change agent and shaping Maine’s future
• Aging population
• 21st century workforce
• Educational and civic engagement
• Preparing the next generation of leaders
• Seeking national recognition
• Attract new citizens to Maine with value

The overall conversation was then continued and enriched by focusing on internal funding methods.

**INTERNAL FUNDING METHODS**

_The question that matters most is not how a state does its budgeting, but whether or not it is achieving its goals. When analyzing budgetary issues, one must contemplate: goals, values, strategies, and tactics – and consider what’s best for Maine’s citizens. The committee discussed these issues at great length as summarized below._

**Guiding Principles**

• Maintain flexibility
• Encourage creativity
• Be fair
• Be open
• Build trust

**Goals**

These are common goals for higher education:

• Make sure the state has a well-educated workforce
• Expand knowledge
• Prepare the next generation for responsible citizenship

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2 Drawn from *Accountability in Higher Education* PowerPoint presentation by Paul Lingenfelter, SHEEO, May 2, 2005.
• Improve economic vitality and cultural life in communities
• Help the next generation improve its prosperity and life opportunities

It was felt that the five goals listed above may not express the goals most important to Maine, but the most important thing about goals is not the words, it’s building a consensus around them.

The State of Maine and UMS must work cooperatively to identify the appropriate goals for higher education in Maine.

Values
• Costs of higher education to the consumer
• Public value of education
• Obligation to help those in need
• Fairness

We have to find a balance among conflicting values to make progress toward our goals. We can’t ignore important values. But when we get tangled up in value conflicts and lose sight of our goals, we get stuck. When we balance values well, we not only get things done, we get them done right.

Strategies
Strategies are broad scale, general plans to reach well defined goals.

Institutional strategies include:
• Creating institutions with public, philanthropic, or investment capital
• Supporting institutions with direct public subsidies
• Supporting institutions with indirect public subsidies – student vouchers, tax exemptions, student aid, etc.

Revenue generating strategies include:
• Charging tuition
• Seeking donations
• Selling services

Marketing strategies include:
• Low tuition to encourage enrollment
• Grants to students who cannot pay tuition
• Grants or discounts to especially desirable students
• Loans, both subsidized and non-subsidized
• Supporting K-12 to improve student preparation
Tactics
Tactics are what we do to implement strategies to reach goals. In general, tactics are categorized as:

- Hierarchy (command and control)
- Bureaucracy (regulation, contracts, etc.)
- Market (supply and demand)

Specific Budgeting Tactics

- **Budget formulas** – providing resources according to “work-load” indicators, student enrollments, space occupied, research commitments, etc.
- **Base (plus or minus) budgeting** – assuming current funding as a starting point, then increasing it for inflation, new programs, new priorities, etc. or decreasing it due to service load changes, changing priorities, or insufficient revenues to sustain past funding.
- **Performance budgeting** – providing incentives or rewards for improvement, meeting goals, high quality results, etc. Can be used to provide sanctions for failing to reach performance targets.
- **Contracts for services** – negotiating budgets or agreeing on levels of funding based on the provision of specific services. (A new approach, somewhat like charter schools.)

Does the budget process:

- Provide continuity and predictability
- Allocate resources fairly
- Reflect changing conditions
- Encourage productivity gains, and
- Work smoothly and efficiently

In Conclusion:

Why is higher education budgeting tough, why does it matter so much, and what should we do?

*Higher education has a special problem in budgeting because our “product,” advancing and transmitting knowledge, has no upper limit in quality or quantity. We reward institutional leaders for raising money, and virtually every institution finds it possible to spend, for reasonably good purposes, all available resources.*
III. KEY AREAS OF OVERLAP

The issue of accountability and performance obviously overlaps each of the other strategic directions contained in the UMS Strategic Plan. To ensure consistency and continuity, an iterative approach between the work of this committee and the others must be conducted. However, before one can begin the work of interacting with the other strategic directions, the refinement and determination of the System’s goals, values, strategies, and tactics must first be completed before extending them to the individual universities.

IV. GOALS FOR NEXT STEPS

To continue the momentum of the committee’s work, the following steps were agreed upon:

1. Over the summer, a subcommittee of the group consisting of the Chancellor, President Pattenaude, Joanne Yestramski, and Jim Breece would convene to refine the goals, values, strategies, and tactics as discussed by the committee; using the recommendations noted above.

2. The refinements will be shared with the full committee.

3. The full committee will meet again in September 2005 to discuss the refinements.

4. The full committee will then develop a work plan for the 05/06 academic year.

The committee is on track to having a complete set of recommendations by June 2006 on the following goals as presented in the Implementation Planning Process document:

- Strengthen institutional research capacity and focus on it as a System, in order that research can be conducted that will be useful in understanding the strengths and weaknesses of all universities.

- Set clear goals and objectives for financial management for each university and the System Office.

- Renew capital assets to maintain and upgrade UMS facilities so that they meet regulatory requirements and overall modernization needs and, in situations where space is unavailable or current space cannot be modified, fund new construction.

- Collect, analyze, and evaluate data such as enrollment, retention, and graduation rates, based on benchmark goals set for each institution, that are consistent with its mission and Carnegie classification.
- Utilize a campus-based Academic Program Planning (APP) model for program review, assessment, and development, based on the outcomes in Strategic Direction #1.

- Evaluate each institutional leader based on the progress made in achieving the goals and priorities set for each institution in its strategic plan, which must be consistent with the University of Maine System’s strategic planning priorities and must be approved by the Board of Trustees.

- Establish a performance-based funding component of funding.

*Detailed appendices of the Committee’s work are available upon request.*