AGENDA ITEM SUMMARY

1. NAME OF ITEM: Approval of $2.5 Million FY15 Budget Reduction, USM

2. INITIATED BY: James H. Page, Chancellor

3. BOARD INFORMATION: BOARD ACTION: X

4. BACKGROUND:

On May 19th the Board of Trustees approved the FY15 Unified Operating Budget for the University of Maine System. This budget included an unallocated reduction of $2.5 million for the University of Southern Maine with the understanding that the Treasurer would bring forward a plan to allocate that reduction to the July 21, 2014 Board of Trustees Meeting.

The allocation plan as prepared by the University of Southern Maine is as follows:

CLOSING FY 2015

USM has an estimated $14 million structural budget gap for FY15. Previously, the Board of Trustees approved $4.5 million in savings that included: positions left vacant, 26 staff layoffs during the last year, and flat funding of deferred maintenance, plus a one-time infusion of $7 million from the System’s Budget Stabilization Fund, for a total reduction of $11.5 million.

USM has identified the remaining $2.5 million needed to close the gap, as follows:

1. $1,575,000 by reducing the amount budgeted for positions. While the funds come from reductions in many areas, the four largest reductions are:
   - $605,000 from the voluntary separations of 5 faculty who were previously identified for retrenchment.
   - $247,000 by eliminating funding held to cover the cost of faculty in administrative positions who decide to return to the faculty positions.
   - $200,000 by not replacing administrative positions.
   - $222,000 created by the opportunity to replace retiring faculty and staff with new employees who will be paid less.
2. $483,000 by reducing amount of funds we pool through not immediately filling positions, etc. These pooled funds are invested in new positions.

3. $446,000 from expenditures for non-compensation expenses. These reductions came from a wide range of areas. The three largest reductions were:
   - $151,000 finance and facilities from energy savings and delaying equipment replacements (e.g., delaying replacement of vehicles, decreasing number of vehicles).
   - $107,000 in funds budgeted to support faculty research awards, awards for service and other requests.
   - $38,000 by reducing the use of external consultants.

Closing the remaining $2.5 million gap for the FY15 budget involved five voluntary separations, 11 faculty retirements, and one staff layoff.

At its June 30, 2014 meeting, the Finance, Facilities and Technology Committee approved this recommendation to be forwarded to the Consent Agenda for Board of Trustees approval.

5. TEXT OF PROPOSED RESOLUTION:

That the Board of Trustees approve the additional $2.5 million FY15 budget reduction at USM as presented.