Meeting New Challenges, Setting New Directions: The Task Force Report

July 7, 2009
Dear Chancellor Pattenaude:

On behalf of the Task Force on the Structure and Governance of the University of Maine System, I am pleased to submit to you our final report, which received our unanimous approval.

This report represents the culmination of thousands of hours of time and effort by many people—the members of the Task Force, university staff, higher education and policy experts, and scores of witnesses and other contributors. The Task Force recommends a whole series of reforms in focus, missions, support services and financial policies to better enable Maine's public university system to play a leading role in addressing the tremendous economic, demographic, and educational challenges and opportunities ahead.

I was honored to be asked to serve as Task Force Chair. In that role, I was fortunate to serve and work with Task Force colleagues who shared a deep commitment to Maine, its people, and its public universities. The Task Force members offered their talents and perspectives thoughtfully and tirelessly.

Thank you again for the opportunity to be a part of the New Challenges, New Directives initiative. I look forward to presenting our report to you and the Board of Trustees on July 13 in Bangor.

Sincerely,

David T. Flanagan, Chair
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Personal Acknowledgements of the Task Force Chair

We would also like to thank the hundreds of people who have assisted in making this report possible, including the Chancellor, the members of the Board of Trustees, the hard working staff of the Chancellor’s Office, and the hundreds of students, professors, staff, and citizens who have offered comments, suggestions, and encouragement to our efforts. In this regard, we wish to particularly note the generous contributions of time and ideas of former Chancellor Bob Woodbury, former Governor John McKernan, and Maine Community College System President John Fitzsimmons.
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EXECUTIVE SUMMARY

This Task Force was given a broad mandate to address the challenge to the University of Maine System posed by the deep recession and a persistent structural deficit equivalent to about 10% of its budget, without considering the closure of any of its seven operating units.

We undertook this work in early February, 2009, with 42 data requests relevant to our mandate, resulting in hundreds of pages of data to review from the University of Maine System.

We then proceeded to an ambitious winter public hearing circuit which took us to every campus, listening to over 250 citizens at some 21 separate meetings.

Next, we met as a committee with four national experts—Stephen Reno, Chancellor of the University of New Hampshire System; Terry MacTaggart, former Chancellor of the University of Maine System; Tom Layzell, former President of the Kentucky Council on Postsecondary Education; and Robert Zemsky, professor and former Chief Planning Officer of the University of Pennsylvania—to get a sense of how other higher education institutions across the country are tackling similar problems.

Throughout the process, we also received and carefully reviewed dozens of email comments from members of the public.

Subsequently, after considering various alternatives, the Task Force chose the Colorado-based nonprofit the National Center for Higher Education Management Systems to serve as its overall advisor, and to place Maine data into a national context of university benchmarking and best practices. Aims McGuinness and Dennis Jones from the Center have given generously of their time and expertise to our Task Force.

The Task Force then organized into three subcommittees to specifically address the issues of how to provide governance and system-wide services, how to allocate resources, and how to sharpen campus missions. The three subcommittees quickly reported back with recommendations that turned out to be compatible and supportive of each others’ work. The recommendations were drafted into a rough report format. The Task Force began meeting as a committee of the whole and worked its way through draft after draft of the report, each one subject to careful scrutiny and debate.

The twelve members of the Task Force, along with Vice Chancellors Wyke and Breece, have contributed countless hours and deep commitment to this work. But notwithstanding this huge amount of effort and the broad mandate of the Task Force it would be impossible for a volunteer group of this nature to address all of the conceivable issues.

The University of Maine System is a huge enterprise by Maine standards, with an educational and general budget of approximately $420 million; an auxiliary budget of $90 million; and...
restricted operations (grants and contracts) of $140 million; over 5,000 employees; and more than 30,000 full-time-equivalent students from all over the state.

There are many ways we could have approached constraining spending—from making recommendations about compensation and benefits, to consolidating programs, to the cutting of specific purchases in particular categories of spending. But with limited time, there was no realistic way we could review all the administrative decisions of such a large enterprise.

Instead, we found the best use of our time and capabilities to be to concentrate on a few strategic issues—in a sense “constitutional questions”—going to the heart of the organization of the University of Maine System. These core issues included:

1) How to optimize a seven-university System to make the best use of resources;

2) How to align our System with overall state objectives relating to economic growth and a well-informed citizenry, with educational access and attainment equal to the New England average;

3) How to move from a rigid system of resource allocation based, on a forty-year-old formula, to a new system where priorities and performance count for something, while retaining needed stability and predictability;

4) How to realize genuine economies of scale from consolidation of back-office services, yet encourage responsive and nimble customer services;

5) How to proactively utilize financial policies to serve policy goals relating to the public agenda, including access, retention, and science and technology education;

6) How to use technology to advance our public agenda goals, particularly by instituting a cohesive distance education policy that helps with access, efficient use of various campuses, and degree attainment; and

7) How to increase utilization of the capacity of smaller universities by developing distinctively differentiated missions.

In furtherance of achieving these strategic objectives, we believe an overall University of Maine System policy should take into account that:

- The University of Maine System is in intense competition for a diminishing population of traditional students not only in Maine, but throughout New England;

- The University of Maine System suffers from low retention rates among the students it does attract;
The University of Maine System should be preparing students to compete in a global economy;

The University of Maine System is insufficiently related to other educational institutions in Maine, particularly pre-kindergarten through high school (PK-12), and the Maine Community College System;

The University of Maine System is at risk of the dynamic described by our expert, Professor Zemsky, who wrote “When faced with the kind of revenue shortfalls that now confront higher education, most presidents and their institutions simply hunker down by making the preservation of current jobs and operations their top priority. Confronting the inevitable, those institutions hew to a largely conservative strategy of across the board cuts and postponed investments. The result, despite everyone’s best intentions, is an institution even more dependent on its current markets and less able to invest in its own future, let alone pursue policies and programs of public, as opposed to private, interest.”¹

The University of Maine System is a $650 million enterprise with insufficient strategic plans, direction, innovation, and flexibility to compete robustly with other New England public university systems, community college systems, private colleges and proprietary institutions.

For the University of Maine System, working its way through this thicket of challenges to a successful future will be a formidable challenge. It will require:

- Assigning accountability to specific people to achieve key objectives;
- Systematically and objectively restructuring the strategic plans of the various campuses;
- Instituting systems for incentivizing excellent performance; and
- Establishing a system of metrics relevant to the performance of various functions of the System.

Within this general framework, we have identified four key goals for the University of Maine System. Within the sections discussing each goal, specific recommendations are contained. The broad goals are:

¹ Zemsky et al. Remaking the American University—Market Smart and Mission Centered, p. 7
1. **Establish a public agenda**

Maine needs to transform itself economically in the future. The University System has an essential role in this process. However, that role is not spelled out in a clear and compelling way, with measurable benchmarks of performance, and the buy-in of key constituencies in the state. This is what is referred to as having a “public agenda.” This section contains recommendations for establishing leadership roles for the Board of Trustees and the Chancellor to establish and carry out a public agenda for Maine. The first step will be to reform the budget process, and prioritize the half billion dollars in university spending (education and general operations, E&G, and auxiliary) annually to match the priorities of the public agenda.

2. **Act as a union and not a confederation**

Historically, the University System has emphasized freedom for its individual campuses to pursue their own dreams and to engage in expensive competition amongst each other. This has led to a proliferation of majors and programs, a loss of focus at the campus level, difficulty for students in transferring credits, and a reduction in quality. The recommendations in this section spell out the steps that must be taken to provide focus, quality, and customer-friendliness to the System. They include clearly differentiating campus missions; transforming distance education; and taking several steps to make credit transfers easier, such as designing common introductory courses, and working with the presidents and the Community College System to create integrated programs.

3. **Restructure System-wide Services**

System-wide Services are those administrative functions that operate centrally under the leadership of the Vice Chancellor for Finance and Administration, and serve all seven campuses. There is a general recognition that System-wide Services are an important and logical function for the University System, but there also has been some level of discontent with how these services are provided. We recommend several steps to make System-wide Services more accountable, while at the same time urging the University System to explore the expansion of common service provision and purchases in such areas as printing, fleet management, travel management, and the like, when it makes economic and programmatic sense.

4. **Use financial policy to realize System goals**

Traditionally, the University System has looked at state funding, tuition, and student aid, as three independent financial questions. We urge the Board and Chancellor to see these as additional tools available to achieve the University System’s public purpose goals. The pricing of tuition and the provision of student aid are tools for improving access for first-generation students, attracting out-of-state students, and reducing dropouts caused by finances. The mix of funding available to each campus from State funds and tuition should be decided.
strategically, based upon access, quality, and research and development goals. This is a complex subject to treat in an executive summary, and is discussed in detail in the chapter addressing this issue.

Finally, in the last section (“Start Now”), we urge the Board, Chancellor, and presidents to move quickly on the recommendations contained herein. Major budget challenges have already arrived, and it is important that those financial decisions reflect the long-term interests of the State and the University System.

The University of Maine System, like other institutions in Maine, is facing a level of change that no one anticipated or desired. The economy of Maine depends upon the success of its businesses, governments, schools, and nonprofit institutions, in adapting to this new era. As the intellectual incubator for the state’s citizens, it is essential that the University of Maine System lead the way in showing how such adaptation can happen with positive results. The purpose of our report is to show the way.
INTRODUCTION

“Profound changes in society demand profound changes in institutions. Colleges and universities, through their governing boards and top administrative leadership, must find ways to embrace change more fully, readily, and agilely than they have in the past, say leaders and policy analysts who have studied the issue. True reform is needed, they say—change that reaches deep into the heart of an institution and results in significant shifts in thinking, actions, and culture.”

“Toward Transformative Change: Finding a Path to Systemic Reform,”
Stephen Pelletier, Trusteeship, AGB, March/April 2009

In January 2009, the University of Maine System (UMS) Board of Trustees formally approved a proposal and a process for the implementation of systemic transformative change within the public universities of Maine. Entitled “New Challenges, New Directions: Achieving Long-Term Financial Sustainability” (referred to below as “NCND”), the proposal detailed a process for creating sustainability of the University System to assure that the citizens of Maine might achieve a better future. As the Board and Chancellor move forward to approve and implement the recommendations embodied within this report, the central focus of their efforts must continue to be on the citizens whose lives are transformed through higher education.

“In order for Maine to be successful in the 21st century, it is imperative that the University System be positioned to achieve its primary mission of university education, research, and public service, and the expansion of a skilled work force in Maine. Change is necessary, but it must be sensible and fully support the many achievements made to date and must always benefit our students.”

As described in the planning document (NCND) developed by the Chancellor and the presidents, three goals frame this sustainability initiative:

1. To serve the educational, cultural, and economic needs of our people and our state;
2. To keep the cost of baccalaureate and graduate education affordable for our students and their families; and
3. To implement efficiencies, organizational changes, and further economies of scale to bring spending in line with available resources.

The University of Maine System’s work on transformative change has been organized within three distinct but overlapping arenas: administrative (also called “Arena 1”), academic (“Arena 2”), and structural. Our Task Force’s responsibility is the last. The Chancellor and Board of Trustees have asked us to: gather data, review models in other states, and gather input from individuals and groups inside and outside the System, to foster recommendations on the future structure

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2 “New Challenges, New Directions” Page 2

and function of the System that will result in lower cost of operations and greater financial sustainability. Areas of inquiry will include:

- 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.

The Task Force believes that we are fortunate to have a System of higher education with as many positive characteristics as ours. We have an outstanding, largely well-prepared and motivated student body; a caring faculty of formidable intellect and accomplishment; a conscientious administrative support staff; and a Board and executive leadership providing direction free from politics or self-interest, and working to act in the best interests of the University of Maine System’s multiple constituencies. We have a higher education system which has a physical presence within 30 miles of 92% of the state’s citizens, ensuring geographic access (see map on next page). Above all, the campuses of the University of Maine System represent an extremely attractive value proposition—an excellent education at costs far below competitive private, and even some public, colleges and universities in New England. The universities of the Maine System well deserve their accreditations, and our acknowledgment for their crucial role in our society.

However, our mandate is not to congratulate the University System on its accomplishments, but to consider how to preserve the best of what it has to offer through dire economic times, and to improve its ability to respond to the challenges Maine higher education must face. Our report recommends how to achieve this.
THE CHALLENGE

The Double Challenge: a Financial and a Performance Gap

The University of Maine System faces a two-fold challenge. The first is a financial gap. As the Chancellor points out in the document establishing our Task Force, the University System faces a resource shortfall for at least the next four years arising from several factors:

* A declining demographic of high school seniors in Maine and New England will put downward pressure on enrollments and tuition revenues.*

Maine, like the rest of New England, is facing a declining cohort of high school graduates in the coming ten years. This means that the competition for quality students will become more intense, and that declining enrollments and tuition fees will place additional financial burdens on the universities within Maine’s public System.

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4. The Arena 2 report has a detailed discussion of this issue.
State budget shortfalls caused by the deep recession will limit the ability of the Legislature to provide significant further financial aid in the next four years.

For the first time in recent memory, State general fund revenues are anticipated to decline in absolute numbers over a five-year period. In other words, the State coffers are expected to receive fewer dollars in fiscal years 2009 through 2013 than were received in FY2008. The University System’s Vice Chancellor for Finance and Administration estimates the constraints on State funding will contribute to a financial gap of $43 million over the next four years. In other words, in four years, the University System must plan on operating with about 10% less in the way of public resources than are available today. We believe this analysis likely represents the best case scenario. Moreover, the gap will probably be even greater in real, as opposed to nominal, dollars should inflation reemerge.

Tuition increases cannot fill this gap without hurting the ability of Maine families to afford a public college education.

Over the past ten years, the cost of a Maine public university education for students has risen faster than inflation. In other words, a public university education is less affordable to Maine families than it was ten years ago. Low and middle income Maine families must pay a higher proportion of their income for tuition and other college costs than is true for families on average in the U.S. and in the best-performing states (see graphic from the “Measuring Up 2008: the State Report Card on Higher Education” – in which Maine received a grade of F for affordability).5

For years, the University of Maine System has covered shortfalls in state funding by increasing tuition to make

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up the difference (see chart below\(^6\)). This strategy cannot continue in the future.

![Change in Maine Per Capita Income and UMS Weighted, In-State, Undergraduate Tuition & Fees](image)

**These financial constraints are compounded by the loss of investment income due to the stock market contraction, and the general inflation in per-student costs of a university education.**

Eleven months into the FY09 fiscal year, the University of Maine System Endowment pool has lost 16.2% of its value due to market conditions. This will impact campus budgets for years to come. Most immediately, amounts available for scholarship and other endowed distributions in FY10 will be reduced by nearly $2 million when compared to FY09.

In short, there is no alternative to cutting expenses in the coming four years. There is no “magic bullet” of external funds that will make it possible to avoid hard choices.

The other side of the equation is a **performance gap**. Although the University of Maine System has many outstanding individual programs—in areas such as pulp and paper, marine sciences, public policy, teaching, and composite materials, as well as many others—as a **System**, it is not

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\(^6\) Chart and tuition data provided by Chancellor’s office. Income data is from the Bureau of Economic Analysis (BEA). The x-axis refers to proportionate growth since the base year of 1996-097. The base year value is 100.
supporting Maine’s students and Maine’s economy to the degree that we need. Here are the examples of the performance gaps facing Maine:

*Maine, like the United States as a whole, is becoming the first post-industrial society in history in which parents have more education than their children.*

Next door in Canada, 43% of the age 45-54 generation has an associate degree or more, which has increased to 55% for the current (age 25-34) generation. Every generation in Canada is getting more education. But here in Maine, while 38% of the age 45-54 generation has an associate degree or more, only 36% of the current (age 25-34) generation has achieved the same level. Maine and the United States are going backward, as the rest of the world moves forward (see chart below).

![Percent of Adults with Associate Degree or Higher by Age Groups](chart)

**Percent of Adults with Associate Degree or Higher by Age Groups**
Leading OECD Countries, U.S. and New England States, 2006


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Maine needs to produce a third more college graduates by 2025 than it is producing at the current rate, in order to meet the challenge of 56% of residents attaining college degrees, the goal the Maine Compact for Higher Education has set for Maine to be competitive in the world economy.\(^8\)

Even as the high school cohort is declining, Maine needs to produce more college graduates in the next fifteen years in order for its workforce to achieve an educational level equal to those of its peers in New England. This means that the University System must serve older adults already in the workforce. It also means that the University System must do better in helping its students move through to graduation; currently half of students in the University of Maine System do not graduate within six years.

Working-Age Adults with a College Degree
Maine and New England

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\(^8\) Maine Compact for Higher Education, *Indicators of Higher Education Attainment in Maine*, August 2008, p 23; the Governor’s PK-16 Council places the shortfall at 40,000 degrees.
More students leaving college migrate out of Maine than come in—the reverse situation from the rest of New England. This has several negative effects on Maine, but the most prominent one is that it reduces the population of young working people in Maine. As the Compact for Higher Education points out, “Nationally, students are more likely to stay in the state where they attend college than the one where they attended high school.”

A second negative effect is that it reduces the amount of tuition revenue coming into the University System.

**Maine Net-Migration of First-Time Degree/Certificate-Seeking Freshman by Sector of Attendance, Fall 2006**

Source: NCES, IPEDS Fall 2006 Residency and Migration File.

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The State of Maine ranks in the bottom ten states in the country in terms of academic research and development expenditures per capita. As of 2007, Maine had a little over $100 per capita in research and development (R&D) spending, compared to the national leader, Maryland, at over $450. Maine has risen from last in this index over the past four years, in part due to the effort of the Governor and Legislature to fund the Maine Economic Improvement Fund. But there is still a long way to go.

Academic Research & Development Expenditures Per Capita, 2007

Source: National Science Foundation, [www.webcaspar.nsf.gov](http://www.webcaspar.nsf.gov), and U.S. Census Bureau

The capacity of our major research university, the University of Maine, to compete for external funding, especially from federal, industry and private sources, is critical to the future economy of Maine. In 2005, the University of Maine developed a strategic plan to guide efforts in research, scholarship, and creative activity. The plan is coordinated with the University System’s strategic plan, and also with the State of Maine’s priorities as outlined by the Maine Science and Technology Advisory Council State Research and Development Plan (issued Nov. 2005). The University of Maine is already making significant progress and has reached the average level of federal research and development (R&D) grant funding as its peer universities. This is considered the most important indicator of the competitiveness of a university’s research
capacity. Additionally, the University of Maine is third among its peer universities in total R&D expenditures.

However, the University of Maine’s ability to continue to increase R&D funding from State resources (State/local and institutional), as called for in its strategic plan, will be marginal over the next few years as the State struggles to recover from the impacts of the current recession. Therefore, it will be imperative for the University of Maine to increase its funding from federal, industry, and private sources to maintain current efforts and invest in new and emerging focus areas consistent with the State’s priorities.
Finally, student participation in the University of Maine System varies dramatically by region within Maine.\textsuperscript{10}

The chart below shows the percentage of Maine’s 2006-07 graduating high school class that enrolled in a University System program in the fall of that year. The variability in participation raises questions. To what extent is the difference in participation because there are good alternatives to the University System? To what extent are the differences due to the fact that the University System is not meeting local student and business needs? The University System needs to serve all of the counties of Maine, and all of the different populations, in order to both be effective and generate public support.

In short, Maine has a performance shortfall as well as a financial shortfall. \textit{That is why, for the good of the state, for the health of the Maine economy, and for the future of Maine people, the University of Maine System must find a way to educate more students, more successfully, with less money.}

\textsuperscript{10} NCHEMS
THE OPPORTUNITY

This challenge can be met within the existing institutional framework.

The University of Maine System does not need to close campuses if its leaders exercise fiscal discipline and prioritize expenditures. The smaller institutions provide valuable university access to rural Maine students and communities at a relatively modest cost. The challenge is not to figure out political ways to close them; rather, it is to figure out how to increase their attendance and effectiveness in serving regional economies.

The University of Maine System does not need to revise its governance structure. The structure on paper is that of a System Board, a Chancellor, and university presidents. This is a structure used effectively all over the country. Indeed, former Chancellor Woodbury noted that the Maine System has won kudos nationally as a governance model. Maine’s governors and legislatures have set up an effective University System model that is resistant to political micromanagement, and other university systems look on Maine’s model and practices with envy.

While there is no need to change structure, there is a strong need to change the roles of the participants within this structure. There is a need to institute clear, central management direction and control in the interests of accountability, efficiency, economy, and competitiveness in higher education in Maine.

This last point deserves further elaboration.

The Management Challenge

Here are some of the symptoms of management issues at the University of Maine System:

1. The System has a public policy agenda with quantified objectives\(^{11}\) around goals of student success, research and development, environmental stewardship, financial sustainability, and higher education advocacy—but the agenda is not linked to other economic development strategies or studies outside of the University System. It is incomplete with regard to the challenges the state faces, and most problematic of all, is not connected in any way to the budget and resource allocation process in the University of Maine System—as is illustrated by the fact the Chancellor has a grand total of $200,000 out of a total budget of one half billion in E&G and auxiliary dollars available at his discretion to fund System “Agenda for Action” goals.

\(^{11}\) Agenda for Action 2008
2. The budget process begins with the assumption of what happened last year is what needs to happen next year. As part of the budget process, there is no regular System-wide evaluation of majors and courses, of what the state economy requires, and of what students want.

3. In the past, there has been little trust among campuses when it comes to sharing or collaborating on common services. There are separate admissions, marketing, and personnel arrangements. Cooperation appears to be achieved randomly, or in many sectors, not at all.

4. After decades of discussions and promises, it remains a tangled web for students to transfer credits from one System university to another, or to move from one level of Maine’s overall higher education system to another.

5. System campuses compete intensely among themselves for students, funds, courses, and majors. The result is an expensive duplication and fragmentation of courses and majors across the campuses. Maine can ill afford this expensive internecine competition.

6. The usual management tool box, used in both the public and private sectors, does not appear to play a prominent role in decision-making. This tool box generally includes:
   a. realistic, focused strategic plans based on an understanding of opportunities, comparative advantages, and optimal use of resources;
   b. goals and objectives cascading through various levels of leadership;
   c. objective, quantifiable, and timely metrics for productivity, value-added, and effectiveness;
   d. productivity incentives;
   e. the collection of, and analysis of, student and internal customer feedback;
   f. benchmarking; and
   g. root cause analysis and best practice review.
   With all the resources and demands of a one half billion dollar operation, management is acutely important. Simply put, we cannot afford to have the steering wheel of such a massive enterprise disconnected from the road wheels.

In essence, the current structure is one where the universities are forced to deal with each other as competitors rather than as collaborators, in an expensive zero-sum game. The System is not as directive as it needs to be. At every level, decisions tend to be made by consensus—which is good for keeping everyone involved, but effectively precludes any actions that are outside of people’s comfort zones. Thus, the System tends to repose in inertia, or to move forward by the uncoordinated initiatives of individual campuses, rather than by explicit policy decisions. That is why the same problems are raised—and not addressed—year after year. It is why this

There are some who testified before us who look at the same set of persistent management problems, and conclude that the System arrangement has failed, and that it is time to return to separate universities. We disagree. To paraphrase the English writer G.K. Chesterton, the University of Maine System has not been tried and found wanting; it has been found difficult and not tried.

This is a management challenge that cannot be solved by more State money alone. Reports like this are only one key component of a complex solution. It takes political will, leadership, and action. That is what we propose in the following pages.
PRINCIPLES

We begin with a few bedrock principles. The University of Maine System must:

1. **Exist for the sake of its students—current and potential.** Student success is the primary test of its success.

2. **Perform as a cohesive “system”** drawing together seven distinctive public universities and a statewide network of centers, delivery sites, and distance education resources united in a common purpose to provide quality higher education at affordable cost, to strengthen the Maine economy through research and outreach, and to improve the lives of Maine citizens.

3. **Act in accordance with a set of overarching public policy goals** to meet the needs of students and to contribute to the quality of life and economy of the state and its regions.

4. **Operate with the clear lines of authority** defined in the University of Maine System Charter with respect to the powers and duties of the Board, Chancellor, and presidents.

5. **Align the missions and resources of multiple institutions** with a long-term statewide public agenda and the financial realities facing Maine students, families, and taxpayers. Additional campuses, centers or sites should only be added when justified by cost/benefit analysis and clear benefit for the public agenda.

6. **Increase the student pool**, even as the traditional college-age cohort shrinks, by increasing the participation rates in higher education of youth and adults, graduating more students, and joining with the MCCS and other Maine higher education institutions in reaching the goals of the public agenda.

7. **Respond to Maine’s regional differences in educational needs, culture, and economic conditions.**

8. **Support the creation of a seamless education system** (pre-school through graduate education and lifelong learning—PK-20) by engaging with the Governor’s Pre-K through 20 Council, and by working with the Commissioner of Education, the Maine Community College System, Maine Maritime Academy, and the state’s private institutions, in pursuit of shared responsibility to achieve the goals of the public agenda.

9. **Align financing, including allocation of State General Fund appropriations, tuition policy, and student aid policy, with the goals** of the public agenda and differentiated institutional missions.

10. Operate flexibly, efficiently, and strategically to **better serve the residents of Maine and effectively compete for a share of the market.**
1. ESTABLISH A PUBLIC AGENDA

Maine’s population has the oldest median age in the nation. It is the least diverse racially. Its number of workers is projected to begin to decline in the near future. Its traditional economic base—farming, forestry, fishing, manufacturing—is shrinking. Its cost of living is high, particularly for energy and health costs.

Maine also has great assets, as was pointed out in a recent Brookings Institute Report, and reaffirmed by the Governor’s Council on the Quality of Place. The quality of Maine’s landscapes, Maine’s wilderness, Maine’s historic town centers, Maine’s recreational assets, and Maine’s culture—all are increasingly attractive in a “homogenizing” global economy. They are attractive to the entrepreneurs and leaders of the new economy. As the Quality of Place Council reports:

... in the new economy, the greatest competition worldwide is for people. People looking for a place to retire, or to visit awhile. People with energy and skills, who can start and sustain businesses in the new innovative sectors that Maine has targeted for future growth—biomedicine, composite materials manufacturing, computer programming, advanced technologies for boat-building, the new “local” agriculture, and the like.

People with skills in these areas can live anywhere. Our research shows they are most interested in living somewhere with a high Quality of Place. This is our most powerful advantage in the global marketplace for people.

Maine’s economic success in the coming decades will depend upon our ability to leverage our assets to attract and retain talented people who can build our economy. The success of the University of Maine System is essential to the success of the overall state’s goals.

The University System, through its seven campuses and outreach programs, does many things to respond to our state’s challenges. It attracts talented students to come here to study from many places; raises the knowledge and capabilities of Maine students, both young and old; contributes to the cultural richness of the state; and contributes research and development to help many of the key industries mentioned above to compete, succeed, and hire Maine people. As this report was being written, the United States Secretary of Energy, Steven Chu, was meeting with University of Maine researchers about a major new project on offshore energy development. Senator Susan Collins refers to this research as a “real game-changer.” This is but one of many possible examples.

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13 Charting Maine’s Future, Brookings Institution, 2006; and People, Place, and Prosperity, Governor’s Council on Quality of Place, December 4, 2007.
14 People, Place, and Prosperity, page 4.
15 “Can Maine be a leader in offshore wind power?” Portland Press Herald, June 3, 2009
These are all components of what is meant by a “public agenda,” particularly in reference to a university system. A public agenda is a statement of long-term goals for improving the state’s quality of life and global economic competitiveness. A public agenda includes indicators and benchmarks for measuring progress toward the long-term goals. The goals in the public agenda are for the state, not higher education per se, but higher education is one of the most important means to achieve the goals through:

- Educating the population to globally competitive levels;
- Developing a globally competitive economy through R&D;
- Contributing to the quality of life of the regions in which institutions are located.

As can be seen from the above references, Maine has pieces of a public agenda that can be compiled from different task forces and reports. One that is relevant to our concerns is the report Achieving Prosperity for All Maine Citizens, a report of the Governor’s PK-16 Council, a group of educators and legislators working to integrate education from the pre-school through college levels. Another is the Maine Compact for Higher Education, a public-private group dedicated to increasing college enrollments. The University System itself has an internal document, the Agenda for Action that sets quantifiable goals for student success, research and development, environmental stewardship, financial sustainability, and higher education that should, to the extent it is acted upon, contribute to achievement of the kind of public agenda described above.

It could be said that Maine has a public agenda, but that the pieces are not connected. The problem with all of these efforts is:

- Each is “owned” by specific groups, none is owned by everyone;
- They are not well-known to the public;
- They are not well-connected to each other;
- Though most have quantifiable objectives, they are different for each group;
- None have a clear institutional role in decision-making with regard to policies, programs, or budgets (including the University System Agenda for Action).

A public agenda must be strategic, owned by all parties, and relevant to the real issues of the State. That doesn’t exist now in Maine. Obviously, the University System cannot create a public agenda by itself. It needs the active engagement of the Governor, Legislature, Education Commissioner, Maine Community College System, K-12 educators, the business community, as

16 See, for instance, Measures of Growth in Focus, 2009, from the Maine Economic Growth Council, on www.mdf.org
17 See www.maine.gov/education/pk16_task_force/achieving_prosperity_for_all_maine_citizens_report.pdf
18 See www.collegeforme.com/
19 See www.maine.edu/pdf/AgendaforAction.pdf
well as many other parties. But the University System can provide the leadership to push the process along.

With regard to the University System itself, when we talk about a “vision” and a “public agenda,” it is not meant to be a recitation of the internal capabilities of the University of Maine System, but rather a set of aspirations connected to serving the overall public policies of the State. It is up to the Board of Trustees and the Chancellor to establish the University System vision; but from looking at the precedents in other states\(^{20}\), the recommendations of the Maine Compact for Higher Education, and our objective circumstances, we believe a realistic vision for the System might include:

1. Increasing the number of Maine graduates so that Maine achieves 56\% of its adult population with a higher education degree by 2019\(^{21}\) to match the average of the New England states, as recommended by the Maine Compact for Higher Education;
2. Working with the PK-16 Council to coordinate the goals, curriculum, and resources of the K-12 system, the Maine Community College System, the Maine Maritime Academy, and the University of Maine System, to achieve the maximum number of higher education graduates;
3. Investing in R&D which is likely to lead to increased federal and private grants for the development of sectors of economic activity which will employ Maine people in the evolving economy; and
4. Establishing that tuition increases are held to a level which is not greater than a given percentage of the rate of inflation for students at most campuses in the System.

The issue is not just quantity of graduates, but types. A recent report of the Maine Department of Labor\(^{22}\) projects that 61\% of annual openings for high-growth, high-demand jobs in Maine until 2014 will require a bachelor’s degree or higher. A quick comparison of the list of high-growth, high-wage occupations with a list of University of Maine System degree programs shows some areas of match and some that need examination. The largest percentage of University of Maine System bachelor’s degrees are in education (19\%) despite projected declines in K-12 enrollments. Also, because many existing occupations now require deeper knowledge and more advanced skills, current professional programs may have to be revised, for example by increasing the integration of professional and liberal arts competencies.

\(^{20}\) Good examples of “sharp-edged goals for educational attainment” can be found in Ohio (boosting enrollment and increasing the degrees awarded by 20\% by 2017); and Kentucky (double the number of citizens with college degrees in order to reach the national average by 2020). See [www.deltacostproject.org/resources/pdf/trends_in_spending-recommendations.pdf](http://www.deltacostproject.org/resources/pdf/trends_in_spending-recommendations.pdf)

\(^{21}\) Greater Expectations, Maine Compact, May 2004, p. 11

The Chancellor’s office is the natural institutional home for the System’s vision as to how the universities can serve the goals of the public agenda. The Chancellor is the liaison between state government, the public, students and their parents, and the primary administrators in the University System, the presidents. The Chancellor’s loyalties and responsibilities are to the whole state.

Maine’s higher education goals cannot be met unless the System has a clear vision and goals that are important to and relevant to the public, and a Chief Executive Officer with authority to move resources to achieve those goals. Therefore, we recommend:

1.1 The Board of Trustees must empower the Chancellor to address Public Agenda goals.

The responsibilities of the Chancellor should include:

A. Providing leadership in shaping and gaining consensus among Maine’s state leaders (the Legislature and Governor), and business, civic, and educational leaders, around a public agenda for Maine linking higher education, including institutions outside the System (public and private), to:
   1. Set widely shared goals for educational attainment to meet Maine’s future knowledge needs and our ability to compete in the global economy;
   2. Contribute to economic growth in every corner of the state; and
   3. Improve the quality of life for Maine residents and visitors.

B. Further developing relationships with the Legislature and the Governor, emphasizing the contributions of the System to the goals of the public agenda; and identifying the resources, methods, and reforms necessary to achieve those goals.

C. Identifying the University System’s role in achieving the public agenda.

D. Providing leadership for the System:
   1. Integrating the public agenda, university missions, application of System and campus resources, and performance expectations of senior staff and presidents, to ensure progress towards achieving the public agenda;
   2. Developing effective, professional, mutually supportive leadership teams in the offices of the Chancellor and the presidents;
   3. Holding senior system staff and presidents individually accountable for performance and progress towards achieving the public agenda;
   4. Developing budgets that reflect and incentivize attention to public and system priorities; and
5. Reaffirming the finding of the 1986 Visiting Committee report that the role of the Presidents’ Council is advisory, and not a formal group with legal standing in which any one president, or group of presidents, could exercise a veto to create an impasse preventing the Chancellor from adopting policies to move forward.

6. Developing an external advisory mechanism to inform both System- and campus-level strategic planning and academic program development with regard to knowledge requirements projected for the future. Advisors might include representatives from the Maine Departments of Education, Labor, and Economic and Community Development; trade associations; chambers of commerce and major employers; labor unions; and economists and demographers, among others. The Task Force is concerned that the Maine economy is experiencing serious shortfalls in some critical categories, such as nursing, while in other categories, we are producing far more graduates than the economy can absorb.

7. Increasing policy, information gathering, and analytic capacity in the office of the Chancellor to support the leadership role of the Board of Trustees and the Chancellor, and to support the presidents in campus-level strategic planning and management.

8. Regularly evaluating and reporting on State and University System performance in meeting the goals of the public agenda, using externally referenced indicators and benchmarks of quality and performance.

1.2 The Board of Trustees must exercise leadership in redirecting the University System.

The ongoing responsibilities of the Board include:

A. Vision—adopt a vision, mission, and policies to carry out the public agenda.

B. Strategy—review, approve, and monitor management’s proposed strategic planning process, plan and revisions; monitor progress and implementation against timelines. Assure appropriate metrics/measurements of plan success.

C. Risk monitoring—understand, assess, and monitor major risks and conduct crisis/contingency planning. Understand and approve management processes for assessing short- and long-term internal and external enterprise-wide risks across and information provided to Board for risk oversight.

D. Financial Oversight—review and approve management’s capital and annual operating plans, financial objectives, policies, standards and controls; monitor financial

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23 See the Charter of the University of Maine, section 102, 4A through D.
performance. Review and approve significant and/or material transactions as well as significant capital significant expenditures.

E. **Compliance and Ethics**—review, approve and monitor legal compliance, governance and ethics policies as well as procedures for implementation. Ensure appropriate “tone at the top.”

F. **Executive Compensation and Performance**—set, monitor and evaluate Chancellor and senior executive performance goals and responsibilities. Assure performance based executive compensation and incentive policies.

G. **Succession planning and human resources**—approve and monitor succession planning process; understand talent pool; monitor human resources development, retention, and assessment programs. Understand and approve corporate compensation philosophy and process.

H. **Advice and counsel**—provide ongoing guidance and counsel to Chancellor and management.

The fiduciary duties of boards are commonly understood. We emphasize them here only to underscore the critical role of the Board in providing leadership by adopting a set of policy priorities from among the many competing demands on the University System’s resources, and aligning the available financial resources to support the highest priorities, regardless of where they occur. But a System board, in the words of the Delta Cost project, must “move from simply balancing the budget to having a long-term investment strategy,” and look at such factors as “educational spending in relation to performance (e.g. certificates and degrees awarded).”

1.3 **There should be a strong, independent Chancellor with the authority to manage the direction and resources of the System and its seven universities.**

The Chancellor must function as the “the chief administrative and education officer of the System” and “provide leadership to the universities in the System in addressing the State’s highest priority needs,” as required by the University of Maine System Charter. The Board of Trustees must adhere to the requirements of the Charter regarding the lines of authority and

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The Delta Cost project is a nonprofit organization dedicated to “help improve college affordability by controlling costs and improving productivity.”
responsibility between the Board and the Chancellor, and the Chancellor and the university presidents.

1.4 The office of the Chancellor should be funded directly in a way that reflects its leadership and governance role for the System.

The Office should not depend on the campuses for funding. Staffing of the office of the Chancellor should be reviewed and reconfigured, if necessary, to align with enhanced responsibilities related to shaping the public agenda and advocacy. In any event, it is critical to have decisive and effective vice chancellors serving the roles of Chief Financial Officer and Chief Academic Officer, and to employ or contract for a credible legislative team, legal counsel and institutional research capability. The Chancellor’s office should be located in the state capital, Augusta (as authorized in the University of Maine Charter, section 102 (4A) for the Office of the Chancellor) to provide visible engagement with state leaders, state agencies, and statewide organizations important to advancing the public agenda.
2. ACT AS A UNION AND NOT A CONFEDERATION

As one of our public hearing witnesses, a member of the support staff who works in maintenance at Machias succinctly put it: “I served on a nuclear submarine. Every man supported every other man. Every component supported every other component. That was a system. UMS is NOT a system.”

Historically, the Chancellor’s office, as well as the presidents, has emphasized the “entrepreneurial” energy that is produced by decentralization, allowing universities to compete with each other, encouraging experimentation, and new programs. There is a need for balance in any system between central direction and grass roots energy. In the case of the University of Maine System, we believe the pendulum has swung too far towards decentralization. The problem can be illustrated by the existing mission statements for each campus. The Task Force understands and appreciates that the existing mission statements were generally developed through an extensive, bottoms-up, consultation process. Through no fault of the participants or lack of effort, the product does not meet our current needs. The missions are vague and uncoordinated. According to one former Chancellor, the concept of differentiation among the campuses has “slipped away” over the past forty years.

Vague missions grant permission to every campus to try to be everything to everybody. That is why the System has too many majors and courses. That is why there is duplication. This adds to the difficulty of transferring credits from one place to another.

These problems have endured for decades. With “mission creep,” they even get worse over time. It is time to start on a new, more coordinated approach to making the best use of a scarce resource.

2.1 The missions of the universities making up the System must be focused, clarified, and differentiated.

Today the totality of curriculum offerings is the function of what each university has the resources to do, with no overall System plan. The State of Maine is not big enough or wealthy enough to offer as many overlapping majors and programs as it currently supports. The principle that you can reside on any campus and get a degree in nearly anything is neither affordable nor does it promote quality. This is the single most significant area in which savings can be realized to fund the priorities of public policy and to balance the System budget, and it deserves priority attention from the Board of Trustees. Currently there is a competition in which the campuses are taking market share from each other, because the total number of consumers does not produce the revenue required to sustain quality programs in every subject everywhere. The University of Maine System must reduce its duplication of academic
programs, and consolidate or eliminate those which require more resources than their output of graduates justifies. It must optimize its limited resources through distance learning and other means that can enhance quality, choice, and performance.

2.2 The Chancellor and Board, with due consultation with the presidents, should promptly develop and adopt “Role and Scope” statements that can serve as the basis for realistic mission statements, strategic plans, programs, and performance measurements and that are consistent with available resources.

The Vice Chancellor for Academic Affairs should be mandated to develop specific goals, concrete savings targets, and firm timetables for achieving this objective. Such statements should encourage differentiation and collaboration—and reduce duplication—in academic program delivery among all universities. Such statements should specify:

A. Audiences served by each university: geography, academic preparation, age, full-time/part-time status (recent high school graduates, returning adults, etc.), employers, etc.;

B. The specific array of programs and services to be offered: level of program, academic fields;

C. The distinctive mission: e.g., land grant mission, regional engagement/service, liberal arts, professional service, and contribution to scholarship;

D. Signature programs that a university campus can develop that are unique to the System, meet a customer demand, and further the public agenda;

E. Collaborative relationships: e.g., serving as provider/receiver sites or education centers for a region;

F. Distance-learning relationships among UMS institutions and other System institutions, identifying roles serving as a “provider” of courses and programs to some universities and/or serving as a “receiver” site for others; and

Scholarship is important. The report Scholarship Reconsidered: Priorities of the Professoriate, by Ernest Boyer at the Carnegie Foundation (1990) articulated a new paradigm for faculty scholarly activity. Boyer expands the concept of scholarship, traditionally viewed as the scientific discovery of new knowledge, to include three other equally important areas: the scholarship of integration, the scholarship of application, and the scholarship of teaching. The first two functions of scholarship, discovery and integration, reflect the investigative and synthesizing traditions of academic life. The third function, application, is the engagement of the scholar in extending and applying knowledge to address consequential outreach and community service issues. The fourth function, teaching, involves scholars in sharing the results of their scholarship with others.
G. Indicators of quality and performance using externally referenced indicators and benchmarks.

Such statements should be done in a way that enables campuses to be flexible in responding to new labor market needs, within its role and mission. At the Board level, the statements should enable a critical look at proposals for new programs in high-cost areas, such as PhDs and science programs.

Examples of roles and possible objectives of each university are provided in Appendix I.

2.3 The Chancellor, working with the presidents, should ensure seamless student transfer between and among all University of Maine System campuses.

A fair, consistent, and transparent course credit transfer policy is important to achieving the goals of encouraging the transfer of associate degree matriculants from the Maine Community College System to the University of Maine System campuses, and facilitating intercampus transfers among University of Maine System students. Our objective should be to help students attain the highest possible level of university education that is worthwhile for them. To that end, the Chancellor should exercise leadership by:

A. Promptly implementing current System transfer and articulation policies and procedures. The System should provide for guaranteed transferability to all UMS campuses for a student successfully completing a general associate’s degree from any Community College or University of Maine System campus. Success in the next program cannot be guaranteed, but acceptance of the prior credits ought to be.

B. Initiating a statewide communications campaign to inform students about current resources, including the web-based services available on the UMS website (www.maine.edu/prospective/transfer-services.php).

C. Charging the presidents to develop a strategy for enhancing the services of student advisors and other campus-level personnel in assisting students with transfer planning.

D. Providing a web-based guide for students to plan their academic program making full use of academic offerings from all UMS campuses.

E. Synchronizing student and financial accounting policies and procedures for students taking courses from multiple UMS campuses, including the simple provision that each campus follow a common calendar for the convenience and accessibility of the vast majority of students.

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26 It is so important, in fact, that in 1985 the Legislature mandated that the Trustees implement a plan to achieve this by the fall semester of 1988. See 20-A MRSA §10907.
2.4 The Chancellor and Board should transform distance education into a core component of the University of Maine System's overall strategy to ensure affordable access.

This will, at once, help to address the need for affordable access for Maine students, the need of the University System to increase revenue, and the breadth and diversity of the student experience. It includes such steps as:

A. Establishing a clear System-wide responsibility for leading, managing, and expanding the distance education network. As indicated in the recommended role and scope for the University of Maine at Augusta (see Appendix I), this leadership is currently the responsibility of the President of this university. The Chancellor and Board may wish to continue UMA in that coordinating role because, having relatively few academic offerings of its own, it is in a better position to act as a relatively neutral “traffic cop” in matching up offerings and needs. A second alternative is to lodge the System-wide responsibility with one of the big content provider campuses. A third is to assign the responsibility to the Vice Chancellor for Academic Affairs. Whatever way is chosen, the important thing is to have someone in charge of the overall program, replacing the seemingly random course offerings, which lead to few, if any, opportunities to actually major and matriculate through a distance education program in our current system. We are supportive of the efforts of Task Force member, and University of Maine at Augusta President, Allyson Hughes Handley, who has convened a group that has produced a report entitled A Call for a Vision of Online and Technology Enhanced Teaching and Learning within the University of Maine System. The report makes a series of recommendations for strengthening distance education in Maine.

B. Creating financial incentives for universities to make optimal use of distance learning. For example, the tuition-utilization formula should:

1. Establish “provider/receive-site” funding for the universities at Fort Kent, Machias, Presque Isle, and University College Centers, to enhance their capacity to offer and purchase courses and programs (on a cohort basis as necessary) to meet the needs of students in their regions. Receive-site funding could be used for on-campus academic and student support services. The conditions for an agreement between a receive-site and the provider campus would include provisions governing sharing of tuition and fee revenue, as well as terms and conditions for delivery of programs (e.g., making sure that a provider does not abandon students mid-way through a program).

2. Provide incentives, technical assistance, and professional development for all campuses to serve as providers of distance learning programs in their specific areas of programmatic expertise.
3. Utilizing existing campuses, University College Centers, community college campuses, public schools, and other existing community facilities to the maximum extent feasible. Authorize new facilities only if funded by non-System sources (federal or private funding, local funding, etc.), and/or clearly justified by cost/benefit analysis related to the public agenda.
2.5. *The Chancellor and presidents should undertake a “course-redesign” initiative led by faculty teams drawn from throughout the System for selected courses delivered on multiple campuses.*

The goal should be to deliver these courses at a higher level of quality with a more effective use of faculty time and other resources. The effort should be based upon the proven models and technical assistance from nationally recognized sources. A significant indirect impact of this initiative could be increased faculty collaboration in specific disciplines across UMS campuses. Examples include:

A. The more frequently taught 100- and 200-level core general education courses;
B. “World language” courses;
C. Selected Science, Technology, Engineering and Mathematics (STEM) courses for which faculty expertise is limited on smaller campuses;
D. Best practices in developmental/remedial education.

2.6. *The Chancellor should direct the presidents to utilize the analysis of lower degree-producing programs by institution, as identified in the Arena 2 report (on Academic Programs and Services) to justify, eliminate, revise, or consolidate programs.*

The Chancellor should direct institutions to discontinue low degree-producing programs and reallocate faculty lines and other resources to other higher priority programs consistent with the public agenda, and with the role and scope statements described above.

2.7. *The Chancellor should encourage and support substantially increased collaboration between University of Maine System universities and the Maine Community College System, and direct System presidents to work with their counterparts to provide seamless articulation and transfer for students, and optimize the utilization of resources within every region.*

The Chancellor should reach out in a spirit of mutual respect and recognition of the vital role MCCS plays in higher education to look for opportunities to reduce overlap, optimize the use of our respective resources, facilitate the transfer of students, and look for economies of scale. Where appropriate, regional pilot programs should be used to develop and test new joint efforts that could later be extended statewide. Examples, building on initiatives currently in place or previously attempted, include:

A. Dual enrollment or concurrent enrollment, through which students can earn credit at both institutions simultaneously;
B. Joint planning of new associate degree programs at UMS to ensure that they complement and to not unnecessarily duplicate MCCS courses and programs;

C. Dual admission, through which students admitted to a MCCS campus can also be admitted to a UMS institution, with a seamless plan to move from one institution to another to earn a baccalaureate degree;

D. Provision of UMS courses and programs on site at a MCCS campus through which place-bound students can move seamlessly from one institution to another;

E. Shared facilities and shared support services among System campuses and centers and community college campuses and centers;

F. Provision for UMS students to take courses at MCCS campuses (or to “reverse transfer” to gain specific employment skills after obtaining a baccalaureate degree at a UMS institution).
3. RESTRUCTURE SYSTEM-WIDE SERVICES

The University of Maine’s System-wide Services (SWS) works with the campuses to improve business processes, and student and employee services. The goals of SWS are to maximize the value of technology investments, engage in business process redesign, realize budgetary savings through the economies of scale created by collaboration across all seven universities, and reduce administrative burdens on the universities.

SWS consists of:
- Information Technology
- Finance and Accounting
- Facilities, Risk Management, Safety and Environmental Management
- Strategic Procurement
- Human Resources
- Shared Processing Center

Total System Office staffing, including both Governance and SWS, was 142.3 FTE in FY07 and net operations cost $17,361,801 (excluding University College, which was moved to the University of Maine at Augusta budget in FY08). In FY08 the Shared Processing Center was created, adding 14 FTE staff. Today, the FY10 budget for the System Office includes 150.78 FTE and has a net operations budget of $17,108,940.

During the public hearings and through the correspondence we received on our website, a number of concerns surrounding the implementation of joint computer software (PeopleSoft) were brought to our attention. Additionally, concerns were raised about the initial responsiveness of the Shared Processing Center and the general size and purpose of System-wide Services. Some suggested these services could be performed more efficiently on their own campuses or on a regional basis. While others, particularly on the smaller campuses, expressed gratitude for the services performed and the expertise they could not otherwise afford on their own.

It is difficult to assess or quantify the concerns in the absence of objective data, but it does appear that new leadership and tighter budgets are having a positive impact on the performance of System-wide Services. We believe that, again, Maine is too small to fragment services where natural economies of scale exist, and further, that many of our problems have come about as a result of various campuses refusing to adopt common procedures. We therefore believe that our best course is not to break up the SWS, or to throw away the gains we have made in the last year, but to institutionalize the reforms that will build on this work and point SWS in the direction of further economies of scale and service responsiveness improvements, as follows:
3.1 A formal Advisory Council should be created to ensure the campus voice is included in decision-making.

The Advisory Council should consist of the Vice Chancellor for Finance and Administration and the presidents of the seven universities, or their designees. The Advisory Council should foster a culture of cooperation and coordination to ensure satisfactory services are delivered at least cost to reflect campus concerns with both the quality and cost of System-wide Services.

3.2 SWS should continue to report to the Vice Chancellor for Finance and Administration, under the direction of the Chancellor, within the following policy framework:

A. The Chancellor should require universities to use shared services only where economies of scale can be realized or where student services can be measurably improved.

B. Where practical, SWS should offer a menu of shared services for universities to choose from at their discretion, understanding that existing shared services may be difficult to disaggregate without imposing additional costs on some universities.

C. Universities are encouraged to pilot new models of service delivery by purchasing services from other universities or from other public/nonprofit partners and by outsourcing services to the private sector as appropriate. However, the Vice Chancellor for Finance and Administration should set the policies and parameters for such relationships and that office should serve as the repository of information and data relating to the nature, cost, and performance of such alternative delivery methods.

D. University customers of System-wide Services should be surveyed annually regarding their satisfaction with the services.

E. Service Level Agreements should be developed between SWS and each university for the shared services provided and should include appropriate, quantifiable performance measures, which should constitute a material part of the performance reviews of SWS executives.

F. Annual reviews of shared services against the performance measures should be conducted by the Advisory Council, with consideration given to the university customer survey.
3.3 **SWS should separate those duties that serve the governance responsibility of the Board of Trustees and the Chancellor to provide oversight and ensure accountability from those services that could be performed on a campus, but are shared at the System level to reduce costs.**

Services related to governance, oversight, and accountability should be funded through appropriations.

3.4 **The Vice Chancellor for Finance and Administration, with the support of the Advisory Council, should adopt a program of continuous improvement to look for further economies in areas such as printing, fleet management, travel management, construction bidding procedures, facilities, and capital management System-wide (as discussed in the Arena 1 report).**

In addition to reviewing cost efficiencies for purchased services, the Vice Chancellor for Finance and Administration must constantly review other categories of expenses for reasonableness compared to peers and to the overall UMS budget. While it is a positive that NCHEMS has found that the universities incur administrative overhead costs within the bounds of their peer groups, that is no reason for complacency. The System should continue to be concerned with keeping the overall cost of a college education affordable for Maine people.

3.5 **The Task Force recommends that the principal SWS office continue its location in Bangor for reasons of work force stability, efficiency, and cost avoidance.**
4. USE FINANCIAL POLICY TO REALIZE SYSTEM GOALS

So far in this report we have discussed the “usual suspects” with regard to making the University System more efficient in meeting its public purpose: distance education, joint provision of administrative services, less duplication of majors, and a sharper focus in distinct campus missions. There is another tool in the toolbox, however, that is of great importance, and that is financial policy.

How the System prices its offerings to in-state and out-of-state students, residential and commuter students, undergraduate and graduate students, has a great impact on what students attend the University System, where they go, and how long they stay. In a similar vein, how the System divides the State appropriation among campuses, and how the individual campuses use the funds to keep tuition down, promote research, and provide student aid, all affect the efficiency of the System in meeting its public goals.

Financing an education at a UMS campus consists of 3 critical elements:

A. State appropriations from State tax dollars;
B. Tuition and fee income, and income from student services, such as residence and dining halls; and
C. Student financial aid (from federal and state student aid programs), some private philanthropy, and scholarships and waivers derived from a combination of (A) and (B) above.

A key to effective System finance policy is the alignment of policy decisions for the three areas of State appropriations, tuition and fees, and student financial aid, not only with each other but also with the goals of the System.
In the past, the UMS Board of Trustees has not taken a strategic approach to finance policy. Instead, it has taken a laissez-faire, incremental approach by having each campus develop its separate budget within the constraints of available state appropriations, with only limited Board of Trustees guidance. Board action on the budget is made with no explicit reference to a long-term public agenda for Maine, or to System priorities.

We will discuss each of the three financial dimensions in turn.

A. State appropriations

This contribution comes from the General Fund educational and general operations appropriations made by the Legislature. Currently, this amounts to some $179 million (FY10), which is down from $186 million for FY08, the result in part of recession-induced cutbacks. But it is also consistent with the long-term trend, in which there has been a steady decline in the proportion of the State budget devoted to the University of Maine System (from 15.2% to 5.8%, see chart at right).

Amazingly, the formula for distributing this appropriation has remained virtually frozen throughout the 40 years of the System’s existence, notwithstanding changes in enrollment,
technology, and business and professional needs, among other considerations, over the course of time. The formula is simply historic, unchanged by priorities, performance, or public policies. Such a relic has yielded incongruous results. From highest to lowest, the amount of State help from taxpayers the average student on one campus receives is almost double that of a student on another (see chart below). Need and access are not factors in this formulation. Nor is encouraging students to attend the most economic or appropriate campus for each. Nor does such an iron-bound calculation permit the addressing in a systemic way of emerging priorities, such as Maine’s urgent need for more health care professionals (e.g., nurses).

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<th>State subsidy per credit hour, FY 10 budget actual</th>
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### B. Tuition, fees, and “discounts”

Responsibility for setting tuition levels has been left to the universities with Board of Trustees approval. The FY10 budget is one of the few times in recent years that the Board of Trustees established specific limitations on increases in tuition revenue (capped at 6%). The universities have used tuition increases as a stop-gap measure for years, and as other demands on the General Fund have grown, especially K-12 and Medicaid funding, the University System has been squeezed hard. University administrators have responded by looking to increasingly large tuition increases to make up the difference. For in-state, undergraduate students, the result has been an 8.3% increase in 2006, 8.7% in 2007, 10.0% in 2008, and 10.3% in 2009, all rates considerably higher than the prevailing rate of inflation (approximately 2% increase per year).

From 2004-05 to 2008-09, tuition and required fees at UMS campuses increased 42%, significantly faster than the national average of 29% and the increases in other New England states. From a longer-term perspective, Maine’s tuition and fee increases earlier in the decade lagged behind those in other New England states. A more important measure, however, is the relationship of tuition and fees to the ability of students and families in the state to pay for.
college. As shown in the following figures, tuition and fees for the University of Maine System increased sharply from 2004-05 to 2008-09 in relationship to per capita income when compared to other New England states.

Tuition and Required Fees as a Percent of State Per Capita Income at New England Public Flagship Universities for Resident Undergraduate Students

Not only is such a strategy contrary to the goal of providing the opportunity for an affordable higher education in Maine to people with ordinary means, it is ultimately self-defeating, as the Legislature naturally will be inclined to favor other priorities, if it thinks the resulting revenue loss to the System can be made up from consumers. This trajectory has had the unfortunate result that Maine people, with the 17th lowest per capita income in the nation, have to pay on average tuition and required fees that are 11th highest in the nation at a flagship public university and 14th highest in the nation for comprehensive public universities.

The foregoing analysis is basis on “advertised” tuition and fees or “sticker price.” The reality is that each University System campus is using funding from its operating budget to provide tuition waivers from the “advertised” prices in order to attract students—often from other System campuses. In the table below, “gross” revenue is the advertised tuition and fees; “net” revenue is the amount that each university actually collects.

For example, the gross revenue from tuition and fees per credit hour at the University of Maine (UM) is significantly higher than that at the University of Southern Maine (USM)—$406 compared to $341—but the net tuition and fee revenue per credit hour ($308) is essentially the same as USM ($306). This difference between gross and net revenue per credit hour in the following chart reflects differences among the University of Maine System campuses in their capacity to budget for significant tuition discounting.
The University of Maine System provides information in the annual budget document comparing tuition levels for each of its institutions with public institutions in New England, and with per capita income in each of these states. When tuition waivers and discounts are taken into consideration, the actual amounts that students pay in relationship to per capita income in Maine is far more in line with other New England states.

Revenue from out-of-state students is an important source of support for University System campuses. The pricing of tuition and mandatory fees varies significantly, however, especially in comparison with other universities in New England. UMaine tuition and mandatory fees for out-of-state students come to $23,876, the second lowest among New England land grant universities. Our other universities also compare favorably in cost to their public counterparts.
FY10 NEW ENGLAND LAND-GRANT UNIVERSITIES
ESTIMATED OUT-OF-STATE UNDERGRADUATE TUITION & MANDATORY FEES

Source: UMS budget documents.
The most important point is that there is no System-wide strategic plan to ensure that the students with the greatest need receive priority—it all depends on what university the student attends. Studies have shown that Maine students, especially low-income students, are especially sensitive to “sticker price” when deciding whether and where to go to college. With significant behind-the-scenes discounting, the real cost of going to college in Maine is far less transparent than it should be.

The University System needs to adopt a new model for tuition policy, coordinated with student financial aid policy, which recognizes that pricing heavily influences who can afford to attend, who can afford to stay, and what is the effect on families in different regions of the state. Here are some policy ideas to consider:

- to encourage a public policy of increasing higher education participation, it may be wise to reduce tuition in the freshman and sophomore years;
- to encourage efficient use of facilities, it may be wise to price the different universities at appropriate rates that reflect the different student clientele they serve and the programs that they are able to offer; and

*SELECTED NEW ENGLAND STATE COLLEGES & UNIVERSITIES ESTIMATED OUT-OF-STATE UNDERGRADUATE FULL-TIME TUITION & MANDATORY FEES FY10*

*Source: UMS budget documents.*
• to optimize utilization, and encourage new perspectives in the student body, consideration should be given to re-pricing out-of-state and foreign student rates.

These and other possible strategies should be adopted only after commissioning System-wide studies of affordability in relationship to the public agenda. The University System should conduct System-wide price elasticity studies on a regular basis, as the Maine Community College System already does; securing the assistance of enrollment management professionals. Such studies should be sensitive to the appropriate differentiation among the campuses in the market, and the need to ensure affordability for Maine students.

C. Student financial aid

Student financial aid policy also contributes to the overall model. Such funding comes from the federal government, and from a combination of a share of the General Fund appropriation, redistribution of some of the proceeds of tuition, and generous private philanthropy. The University System has left it to each campus to make decisions about the percentage of its general revenue (from state appropriations and tuition and fees) to be allocated to financial aid. The amount of financial aid by source varies dramatically from campus to campus (see figure below).

<table>
<thead>
<tr>
<th>Percent of Students Receiving Aid by Source</th>
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<tr>
<td>Source: Sources and Amounts of Student Aid by Campus for full-time, first-time degree/certificate-seeking undergraduate students, AY 2008 (IPEDS). Note: Students receive aid from multiple sources; percentages from each source do not add up to 100%.</td>
</tr>
</tbody>
</table>

27 “Maine Community College Students’ Ability to Pay Study,” The Center for Applied Research, Central Piedmont Community College, August 2008.
Upon graduation in May 2009, UMS four-year students had incurred federal loan debt (Stafford and Perkins), on average, from a high of $22,656 at USM to a low of $14,102 at UMPI. These averages do not include any private or Parent Plus loans that would have been taken out by students or their families to cover the cost of education. The impact the prospect of incurring this kind of debt has on enrollment is not known, nor is it known the ability of our graduates to find employment in Maine that covers this level of debt payment in addition to normal living expenses. But both of these issues should be of concern to UMS and to the State of Maine.

Students at some schools get more federal grant aid—which is a reflection of lower family incomes among the students. Some schools use State appropriation and other institutional sources to provide aid. The net impact of these different university strategies on the affordability of public university education to students of different incomes in different parts of the state is unknown.

The University of Maine System commissioned a comprehensive study of student financial aid policy from Scannel and Kurz in 2004-05. The study identified many of the same issues raised in this report, particularly the finding that the System lacks a strategic framework regarding affordability and the strategic use of tuition and student aid policy. While some limited actions were taken at the university and System levels to respond to the report, no fundamental action was taken at the System level to counter the serious deterioration of affordability for Maine citizens. Since 2004-05, tuition and fees have increased at the highest rate in New England and one of the highest rates in the country. It is reasonable to surmise that differentiating financial aid packages could help the University of Maine System achieve such important goals as:
- encouraging initial enrollment at underutilized campuses;
- promoting high academic performance; and
- encouraging majors in disciplines where Maine is experiencing a shortage of knowledge workers.

The University of Maine System does not differentiate financial aid packages today to accomplish these purposes. Instead, tuition and student financial aid decisions seem to be made largely around the issue of how to cover the difference between state revenues and operating costs, and to meet the enrollment management goals of each campus (without an overall System policy framework). We propose a more strategic use of financial policy.

**Recommendations**

4.1 *The Chancellor should develop and recommend to the Board of Trustees a revised UMS financing model.*

The model should be:

A. **Comprehensive** – dealing with all components of financing higher education, from state funding to tuition to financial aid policies;

B. **Clear** – making explicit the policy goals related to the financing decisions;

C. **Responsive** – to the changing fiscal circumstances of state government and families;

D. **Fair** – all parties (students, institutions and the state) ought reasonably to believe that they are getting (and giving) their fair share, given their mission responsibilities; and

E. **Transparent** – the funding flows must be discernible to both internal and external observers.

The institutional component of the finance model should have two distinct parts (see Appendix II for one scenario for developing the base-funding component):

- **Base funding** required to build and maintain institutional capacity in a manner consistent with their missions. The base funding component should adhere to these principles:
  - **Adequacy** – provide sufficient revenues—primarily from students and the state—to allow the campuses to fulfill their assigned responsibilities at high levels of quality, and at a level consistent with peer groups.
  - **Equity** – treat all campuses fairly—not equally, but the same relative to their different needs. If there are too few resources to meet all requirements, spread the shortfall so as to preserve viable programs, academic quality, and reasonable access.
Stability of funding. Ensure that the funding mechanisms yield results that are fairly predictable from year to year and are free from large variations (especially on the downside).

- **Capacity utilization**: funding that creates incentives for institutions to address state priorities as reflected in the public agenda. Incentive funding can take several forms. For example:
  - Incentives to improve mission focus and improvements in student retention and institutional quality;
  - Incentives for institutions (such as UMaine) to increase federal competitive research funds;
  - Incentives to encourage response to the state’s work force needs in STEM and other critical fields; or
  - Incentives to implement accelerated degree programs and other strategies to increase degree production.

The capacity utilization fund should be systematically built up over the years, necessarily starting small in the current fiscal climate. The fund should be used to help universities undertake special programs to achieve the public agenda (see examples above). A transparent methodology, set of criteria, and distribution procedure for this should be developed by the Board and Chancellor. We are aware, of course, that there will be great pressure to delay the buildup of this fund until there is a return to prosperity. But from our point of view, it is especially important, when funds are tight, to refocus resources on the proper ends. For example, the universities’ nursing programs have waiting lists, while at the same time the State has a shortfall of nursing and other healthcare professionals.

The tuition and fee component of the finance model should both provide necessary revenue, and promote access and completion. Prices should be set in light of the goals of affordability and increasing completion rates, and the practices of competitors (public and private, in-state and out-of-state). An example of a possible strategy to promote access and retention would be to reduce lower-division tuition at some institutions and fill the gap with increased state appropriations or increased tuition levels for upper-division students.

The student aid component of the finance model should be designed to ensure affordability and affect student behavior (i.e., allow them to focus on academic success rather than meeting work obligations). The student aid model should:

- Be applied System-wide, not university by university;
- Take full advantage of federal grants and tax credits;
• Limit student work and borrowing obligations to tolerable levels; and
• Use State funds as a “last dollar in,” after the contributions of students, families, and the federal government.

4.2 The Board, Chancellor, and presidents should pursue aggressive enrollment enhancement strategies.

We believe the System needs to reduce and reallocate its budgets in light of the current fiscal pressures and the need to finance the public agenda. But it is axiomatic that no organization can cut its way to long-term success. The Board and Chancellor should set targets for student recruitment at the different university campuses, and utilize success in meeting those targets as a factor in performance reviews. Besides serving fiscal purposes, this also would help address the State’s need for more college graduates.

Recruitment activities could include:

A. Attracting some of the 40% of Maine high school graduates who do not go on to any form of higher education. It has been estimated that if Maine reached the rate of high school graduate attendance in higher education as the best-performing states, Maine could have an additional 14,000 graduates by 2025.²⁸

B. Improving the retention and graduation rates of students currently enrolled.

C. Encouraging more Maine Community College System students to go on for four-year degrees in University of Maine System schools.

D. Providing relevant education in consumer convenient ways to adult learners – both those who are moving from one career to another, and those who simply want to pursue intellectual growth.

E. Encouraging University of Maine System employees to take courses to improve their skills and opportunities.

F. Attracting out-of-state, immigrant, and foreign students who will enrich the experience of Maine students, contribute to the annual revenues, and potentially permanently relocate in Maine and benefit our economy.

We need to be clear about this. New students alone will not cover the revenue gap the University System faces. This is not an alternative to doing the hard steps described earlier. It is an addition.

In a similar vein, we should be troubled that less than half of University of Maine System students actually graduate within six years of initial enrollment. We recognize, as our expert

²⁸ NCHEMS estimate, Power Point presentation, 5/20/09.
witness Robert Zemsky, has written, that most students are “less certain about what their future holds, and about their graduation from the institution in which they initially enrolled, and less willing to cut their social ties to their home communities.” Nonetheless, it should be a performance priority to give less committed students more individual attention and more relevant courses for their likely career needs. The System should reward campuses for investments and reforms to improve retention rates.

Additionally, marketing success depends in part on differentiation from competitors. The University of Maine System should evaluate opportunities for offering itself as an attractive alternative to other public institutions in New England who are our principal competitors. One such possibility may be offering an option to graduate in 3 years. This can appeal to people with prior experience who are seeking a career change, or those who have the time and financial means to attend year-round. This is a particular opportunity for the signature programs that the System’s universities are developing. One example of how a system can encourage retention and completion is the University of Maryland System, which generally limits requirements for a bachelor’s degree to 120 credit hours, while requiring students to earn 12 credit hours off campus through advance placement, distance learning or study abroad. The Vice Chancellor for Academic Affairs should investigate like opportunities.

Another possibility may be to differentiate ourselves as the “leader for an affordable quality education,” offering great value for the price compared to other colleges in New England, an area where we are already relatively well-positioned—for while our advertised tuition and fee rates are high, our overall net cost for a baccalaureate education, once financial aid and other discounts are factored in, ranks favorably in New England.

While none of this is easy, we should bear in mind that we are losing full-time equivalent students, and the percentage of our population with any kind of higher education is declining. For every 1,000 additional full-time equivalent students we are able to recruit and retain, we would realize, every year of their attendance, incremental revenue on the order of $6 million.

Finally, we urge the State and the University System both to utilize their professional economic and demographic expertise to evaluate the substantial and growing de facto appropriation for

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29 Zemsky et al, ibid., p. 43.

30 Attention to retention is becoming a national priority. For example, the Lumina Foundation “Making Opportunity Affordable” holds as a goal: 1. Increase and reward completion. States should begin setting aside significant portions of their higher education budgets to reward institutions for students who complete courses and graduate in greater numbers at lower per unit expense. See www.luminafoundation.org/our_work/our_initiatives/Making_Opportunity_Affordable.

31 Wellman (supra page 12), suggested re retention that boards of trustees should ask, “What steps is the institution taking to increase the graduation rate for all students? Where are the leaks in the pipeline, and how are these being addressed through counseling, tutoring, or other interventions? Do these interventions have the resources they need to be most effective?”

32 Ibid, Delta Cost Project
higher education represented by the Opportunity Maine program,\textsuperscript{33} to see if these funds are serving their intended purpose and the extent to which, if any, such funds could be more efficiently directed to financial aid for students and adult learners in the process of securing a higher education in Maine.

4.3 \textit{The Chancellor and presidents should aggressively seek external funding sources.}

Besides the need to attract more federal and private support for research and development, discussed earlier, the University System and its campuses need to aggressively pursue foundation and business grants, and alumni support. None of these will fill the large budget hole that is looming, or replace the need for cuts; but accessing external funding will enable the University System to offer a better and more competitive product to students.

4.4 \textit{The Chancellor should continue the current initiative to address deferred maintenance and rationalize capital investments.}

System policies should:

A. \textbf{Ensure institutions expense depreciation}. Require each institution to invest $1.5$ to $2\%$ of the replacement value of its plant in capital renewal every year. The UMS institutions are currently attempting to accomplish this but their capacity to do so varies significantly. This won’t deal with the deferred maintenance problem, but it will keep it from getting worse. This should apply to all facilities, not just those built with State funds.

B. \textbf{Develop a 10- to 15-year plan} to address deferred maintenance and improve the Facility Condition Index to a level at which it can be maintained.

C. \textbf{Give preference to projects that remove deferred maintenance} over those that build new facilities. Avoid building new facilities with State funds, unless justified by a cost-benefit analysis related to the public agenda.

\textsuperscript{33} The Opportunity Maine Program provides a state income tax credit for student loan payments made by degree earners who live, work and pay taxes in Maine following graduation. Alternatively, the tax credit would be available to Maine businesses that make their employees’ educational loan payments. See http://opportunitymaine.org/.
5. START NOW

The University of Maine System is facing a structural deficit on the order of 10% of its annual E&G operating budget within four years if it fails to act now. It is also confronted by the realities of declining demographics, overcapacity, and inadequate management and planning practices that undermine optimization of its limited resources.

5.1. **The Board of Trustees should charge the Chancellor with the responsibility to develop a step-by-step Action Plan to realign the resources of UMS by FY15 to achieve the goals of a public agenda** within the severe constraints dictated by the condition of Maine’s economy and the financing challenges facing Maine’s student and families.

A. The Board of Trustees should establish 2015 as the target year for full implementation of a financing plan realigning the core assets of the UMS to improved quality and performance but within the severe fiscal constraints of: (1) the projected availability of State General Fund Appropriations; (2) the end of the availability of American Recovery & Reinvestment Act (ARRA) stimulus funding after 2011; and (3) the need to keep tuition and fees at a level affordable to Maine students and families, and at a stable and competitive level. Beginning in FY10 and for each year thereafter, the University of Maine System must designate priorities and make measurable progress toward the 2015 goals and operate within the constraints of anticipated revenue.

B. The Board of Trustees and Chancellor should make a strong case to the Governor and Legislature for increasing the share of State General Fund support based explicitly on the contributions of the System to the state’s long-term public agenda.

5.2 **The Chancellor should continuously assess the viability of universities and act strategically to institute alternative, more cost-effective modes of delivery as necessary to maintain essential services to students and regions.**

The Chancellor must hold presidents accountable for management of their universities within established budgets and for fiscal responsibility in light of the System’s long-term financial constraints, and for implementing the recommendations included in this report.
5.3. The Chancellor should direct each president to develop a five-year plan for each respective UMS university to achieve a step-by-step realignment of mission in relationship to the revised Role and Scope statements and projected revenue from State appropriations and tuition by the end of FY11.

These plans should include:

A. Specific goals and performance metrics relevant to the campus’s mission and linked to the public agenda.

B. A commitment of each of the universities in the System to increase the overall performance in relationship to available funding (State appropriations and tuition and fees) to the best performance of the institution’s peers.

C. Expectations, linked to presidential performance evaluation and compensation, regarding collaboration with other UMS institutions and the office of the Chancellor in pursuit of the goals of the public agenda and the overall long-term quality and financial sustainability of the UMS.
CONCLUSION

Our Task Force is one of three groups working to address the persistent and growing structural deficit the University of Maine System is facing.

The first group, Arena 1, has recommended reforms in administrative services that may reach more than $30 million by 2013. Further focus on the revenue enhancement component of that report in light of our recommendations on utilizing tuition and student aid policies, distance education, and campus mission differentiation, should allow that work to go forward to develop a concrete strategy for increasing revenues.

Arena 2 has proposed a significant series of criteria for evaluating and re-focusing academic programs and services, the timely and firm implementation of which could result in major savings, while still keeping the universities of the System within the norms set by their peer groups and accreditation requirements. It is not unreasonable to expect a determined implementation of these recommendations could result in savings on the order of $10 million or more.

Our Task Force—also called Arena 3—had a different mission: to examine the governance and recommend restructuring which would institutionalize the ability to use available funds efficiently. We believe we have done so, by recommending that:

1. The Board of Trustees and Chancellor provide leadership in aligning UMS with a vision and public agenda that will earn public and Legislative support; and in operating the System on a coordinated, mutually cooperative basis, minimizing duplication in the work of the various campuses;

2. System-wide Services (SWS), which has already been improved by new leadership, be organized in a way that makes the shared services of this organization subject to customer service agreements, satisfaction surveys, and an oversight council, which should provide further cost discipline;

3. The missions of the universities making up the System be rationalized by the Board of Trustees on the advice of the Chancellor, the Vice Chancellor for Academic Affairs, and presidents to reduce the amount of duplication in their offerings, to whatever extent is necessary to eliminate the deficit after other options are exhausted, while continuing to serve areas adversely affected through new, purposeful distance education leadership which benefits both provider and receiver campuses and students;

4. The efficiency, initiative, entrepreneurship, and ultimately the attractiveness of the universities of the Maine System could be encouraged by breaking the bonds of the
rigid funding formula in place for the past 40 years as we have described herein, thus institutionalizing as best we can a new culture that welcomes and adapts to change;

5. Conceptualizing the various universities of the Maine System as a mutually supportive union, rather than a loose, internally competitive confederacy as was the case too often in the past, should allow for more joint enterprises, economies of scale, and utilization of resources for mutual benefit, to the ultimate service of the people of Maine.

We are aware that our recommendations do not come with identified savings, as was the case with Arenas 1 and 2. We are also aware that, even with the savings that they have identified, there is still a savings gap of several million dollars between the projected revenues and expenditures in four years—and with the economy as fragile as it is, these numbers could well get worse.

However, we believe that if our recommendations for reforming the larger management and governance structures of the University System are adopted, the Board and Chancellor will have the tools available to address this gap, and deal with such shortfalls should they recur in the future.

To specifically address the original nine questions asked to us by the Chancellor on February 11, 2009:

**UNIVERSITY MISSION**

1. Are the missions of the institutions appropriate given the demographic projections, economic outlook and State needs?

   No. The missions are too broad, vague, expensive and internally competitive to meet our current circumstances. We do find that we have ample coverage of our dispersed population with university facilities. We address this issue in the Goal 2 section of this report.

2. How can the mission and operations be enhanced to better serve the State’s population?

   Operations can be improved by a better managed and more cohesive distance education program as is addressed in Goal 2 section of this report.

3. Can collaboration among UMS institutions better serve the State’s population?

   There is some collaboration among different units of the System, depending on the interests of various individuals and departments, and some individual help, as in the case of UM assisting
UMM with its bookstore, but we lack an organizing philosophy and an overall strategic plan which both requires and rewards collaboration.

CHANCELLOR’S OFFICE AND SYSTEM-WIDE SERVICES (SWS)

1. What is the expected role of the Chancellor’s office?

   • Strong leadership and advocacy for an overarching public agenda concerning the economy and educational attainment levels of the people of Maine to which UMS can contribute; and

   • Likewise, leadership in bringing the various components of the System together as a cohesive, efficient organization reducing duplication and promoting fairness wherever possible.

2. What do institutions expect from SWS and what services should they offer?

   The universities should expect responsive service, reasonable costs, and a cooperative attitude. We suggest structural changes in the Goal 3 section of the report to encourage these trends.

   SWS should offer services where there are manifest economies of scale from pooling resources and expertise, and where uniformity of policy is essential to successful governance.

3. Should central services be overseen by the Chancellor’s office or by someone else?

   Central services should be overseen by the Chief Financial Officer appointed by the Chancellor, and advised by a consumer council made up of the presidents or their designees as described in the Goal 3 section.

FUNDING OF CO/SWS AND UNIVERSITIES

1. Is it better to pay for SWS by taking a part of the State appropriations or should universities receive all appropriations and then “buy” services?

   The Chancellor’s Office should be funded by the Board of Trustees directly to preserve its independence.

   SWS should be funded directly by the Trustees for essential services and those where participation of all units is required to realize the benefits of economies of scale. For discretionary services offered at the request of individual universities, such universities should be back charged at cost. See the narrative in the Goal 3 section.
2. Is there a better funding approach to allocating our State appropriations and tuition and fees than our current approach?

Yes. Maine has followed a rigid, historic allocation of General Fund revenues virtually without change for 40 years.

Stability and predictability are important. But also are flexibility, innovation, and meeting evolving priorities. We address reform in the Goal 4 section of the report.

3. Are there better ideas for ensuring financial sustainability?

UMS needs to align with public priorities to assure future Legislative funding. Likewise, it needs to keep disciplined, cohesive control over costs.

But it also needs to rework its tuition, financial aid and appropriation allocation models, improve recruiting and retention, and increase federal and private R&D funding as part of an overall strategy for financial sustainability, as discussed throughout the report.
The following are possible university roles and scopes that could be elaborated in the “Role and Scope” statements described in recommendation 2.

The decision as to which university should carry out what missions is ultimately up to the Board of Trustees, with the advice and counsel of all the relevant leaders and constituencies. But in the end, firm, clear-cut decisions will be required to tailor the university missions and strategic plans to resources, public purposes, and competitive opportunities.

Scholarship is a critical mission of all the campuses with a different emphasis on each campus on the four dimensions of scholarship: (1) scholarship as scientific discovery of new knowledge, (2) scholarship of integration, (3) scholarship of application, and (4) scholarship of teaching.³⁴

**University of Maine**

*A nationally competitive land grant and sea grant university with targeted doctoral offerings.* Scholarship, especially scholarship as scientific discovery of new knowledge, is central to the role of UMaine as the state’s major research university. Possible objectives include:

- Reaffirm the critical role of the University of Maine as the land grant, sea grant, and lead research university;
- Increase retention and graduation rates and degrees granted as a percentage of undergraduate enrollment to the level of best performance among its peer group;
- Increase the percentage of enrollment at the graduate level;
- While continuing State research support, increase the proportion of total research expenditures from federally and privately-funded R&D to the highest level of its peer group, by 2015;

³⁴ The report *Scholarship Reconsidered: Priorities of the Professoriate*, by Ernest Boyer at the Carnegie Foundation (1990) articulated a new paradigm for faculty scholarly activity. Boyer expands the concept of scholarship, traditionally viewed as the scientific discovery of new knowledge, to include three other equally important areas: the scholarship of integration, the scholarship of application, and the scholarship of teaching. The first two functions of scholarship, discovery and integration, reflect the investigative and synthesizing traditions of academic life. The third function, application, is the engagement of the scholar in extending and applying knowledge to address consequential outreach and community service issues. The fourth function, teaching, involves scholars in sharing the results of their scholarship with others.
• Increase selectivity of undergraduate admissions (to “highly selective” from current “selective”) to compete for the best-prepared students from Maine and New England;

• Increase links as the state’s land grant university with initiatives to improve the economy and quality of life in all of Maine’s regions through:
  – Academic outreach
  – Technology transfer and technical assistance
  – Cooperative Extension;

• In pursuit of its statewide land and sea grant mission, link with the public agenda and plan, coordinate, and undertake joint initiatives with other UMS institutions.

**University of Southern Maine**

A regionally competitive public, comprehensive university, with statewide responsibilities in a few selected professional and graduate programs, and engage in scholarship with a particular focus on the needs and aspirations of Central and Southern Maine. Possible objectives include:

• Increase the participation rates of recent high school graduates and adults in higher education in Central and Southern Maine in collaboration with Maine Community College System campuses;

• Increase degrees granted as a percentage of undergraduate enrollment;

• Increase the number of majors, joint programs, and selected courses delivered to other UMS campuses and centers through distance education;

• Increase federally and privately funded R&D in specific areas of expertise (e.g., toxicology and environmental health, health and safety issues, and public policy) and the integration of research and undergraduate and graduate teaching and learning;

• Support the unique role of the Lewiston-Auburn College of USM in serving the Lewiston-Auburn region and in increasing the participation and completion rates for students in Central Maine;

• Focus its graduate mission on master’s degree programs and selected doctoral programs consistent with the needs of Southern Maine and in selected professional fields for statewide delivery on other UMS universities;
• Increase collaboration with the University of Maine to provide for delivery of graduate programs in Southern Maine that are not available at USM. UMaine and USM should collaborate to determine whether any efficiencies or economies of scale could be realized by combining some of their graduate programs, for instance the multiplicity of public policy institutes.

**University of Maine at Augusta**

_A regional state university focused on providing baccalaureate and selected associate degrees to meet the regional educational, economic and cultural needs of the Kennebec Valley and Bangor – focused particularly on serving part-time adult learners, and with expertise in program and course design and services for distance delivery of instruction (on-site delivery, on-line learning, and mixed-model delivery)._  

In University College, pursue a statewide mission of ensuring access for place-bound learners throughout Maine to higher education [see also the following recommendation regarding distance learning]. Possible objectives include:

• Assess the needs for higher education of place-bound learners throughout Maine and ensure that these adults have opportunities to enroll in and complete full academic programs appropriate to their needs;

• Evaluate the cost-effectiveness, and where justified, deliver programs to place-bound learners at appropriate centers, other University System sites, and other sites, through ITV, on-line, and direct instruction, and other means;

• Coordinate on behalf of the UMS, distance delivery throughout the System (by all those institutions engaged in distance education through centers, on-line learning, delivery on other University System campuses, and others means) to:
  – Provide System-wide Services to distance learning students (e.g., a help desk);
  – Ensure consistency of policies and procedures for students and faculty;
  – Monitor technical quality assurance, while the originating campus bears responsibility for the quality of the content; and
  – Provide professional development of faculty regarding distance learning program and course design and pedagogy.
University of Maine at Farmington

A selective residential public liberal arts university with a small portfolio of pre-professional programs in teacher education and related fields. Possible objectives include:

• Continue mission as Maine’s public liberal arts college;

• Increased emphasis on “regional stewardship” — increasing the role of the university as a resource to improve the economy and quality of life in Western Maine and to engage students in community service learning.

University of Maine at Fort Kent

Regional state university providing a unique bilingual study environment, focused primarily on meeting the needs of the population and economy of its region. Possible objectives include:

• Offer students a unique opportunity to study French in a truly bilingual community. Enhance that opportunity with exchange program with neighboring l’Universite de Moncton at Edmundston. Enable students to study a wide range of subjects entirely in French, and to practice teaching in French-language schools;

• Maintain core capacity to grant baccalaureate degrees, especially in fields directly relevant to the needs of its region;

• Increase capacity to function as a receive site for delivery of selected baccalaureate and master’s degree programs offered by other System universities (on a cohort basis, if appropriate) to meet regional needs that are not adequately served by the university’s core capacity (see recommendations on funding for “receive sites” to broker programs to meet regional needs);

• Serve as a provider to other UMS campuses and sites in specific areas of programmatic specialization;

• Continue associate degree programs, emphasizing cooperative programs with the Community College System that provide a mid-point in progress toward a baccalaureate degree as well as associate degree programs that respond to specific needs of their regions that are not being met by the community colleges; and

• Increased emphasis on “regional stewardship” — increasing the role of the university as a resource to improve the economy and quality of life in its region and to engage students in community service learning.
University of Maine at Machias

*Regional state university providing an environmental liberal arts education, focused on meeting the needs of the population and economy of its region.* Possible objectives include:

- Maintain core capacity to grant baccalaureate degrees, especially in fields directly relevant to the needs of its region;
- Increase capacity to function as a receive site for delivery of selected baccalaureate and master’s degree programs offered by other System universities (on a cohort basis, if appropriate) to meet regional needs that are not adequately served by the university’s core capacity (see recommendations on funding for “receive sites” to broker programs to meet regional needs);
- Serve as a provider to other UMS campuses and sites in specific areas of programmatic specialization;
- Continue associate degree programs, emphasizing cooperative programs with the Community College System that provide a mid-point in progress toward a baccalaureate degree as well as associate degree programs that respond to specific needs of their regions that are not being met by the community colleges; and
- Increased emphasis on “regional stewardship”: increasing the role of the university as a resource to improve the economy and quality of life in its region and to engage students in community service learning.

University of Maine at Presque Isle

*Regional state university providing professional programs for the regional work force and advancing the local culture of Northern Maine.* Possible objectives include:

- Maintain core capacity to grant baccalaureate degrees, especially in fields directly relevant to the needs of its region;
- Increase capacity to function as a receive site for delivery of selected baccalaureate and master’s degree programs offered by other UMS universities (on a cohort basis, if appropriate) to meet regional needs that are not adequately served by the university’s core capacity (see recommendations on funding for “receive sites” to broker programs to meet regional needs);
- Serve as a provider to other UMS campuses and sites in specific areas of programmatic specialization;
- Continue associate degree programs, emphasizing cooperative programs with the Community College System that provide a mid-point in progress toward a
baccalaureate degree as well as associate degree programs that respond to specific needs of their regions that are not being met by the community colleges; and

• Increased emphasis on “regional stewardship”: increasing the role of the university as a resource to improve the economy and quality of life in its region and to engage students in community service learning.
APPENDIX II – ALTERNATIVE FOR INSTITUTIONAL COMPONENT OF THE FINANCE MODEL

The following is one approach for developing the institutional component of the finance model:

1. Determine “adequacy” and “equity” by comparing UMS institutions’ funding (State appropriations and tuition and mandatory fee revenues) with that of their peer institutions
   • An important step would be for the Chancellor and the institutions to reach agreement on a final list of appropriate peers.35
   • Establish benchmark level of funding for each institution. Possibilities for establishing benchmarks include: the mean of peer group, the median of peer group (preferred), or 90-95% of median (to reflect an explicit expectations of improvements in productivity levels).

2. Establish a desired split of revenue between state and students (typically those institutions that are open access and serve the most economically needy students should receive a smaller share of their revenue from students).

3. Develop a multi-year plan for moving each institution toward goals for both funding levels and source shares (State appropriations and tuition and fee revenue).

4. Establish a special purpose component of institutional funding:
   • Establish as a significant, separate component of the institutional funding model and fund it every year in an amount to be determined by the Board of Trustees (up to 5% of General Fund appropriation), through utilization of System reserves, ARRA funds, general and special appropriations, gifts, grants, and other sources. This strategic pool of funds should be available competitively System-wide, not only to address the evolving priorities of the State, but also to encourage and incentivize the development of initiative, innovation and creative thinking on an ongoing basis.36

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35 For the purpose of analysis for the Task Force, NCHEMS prepared a list of peers for each UMS institution, combining peers independent analysis and many of those already identified by UMS. The final list of peers used for the financing model should be acceptable not only to each institution but also be credible with other UMS institutions.

36 It appears that MCCS has already figured out how to do something like this, as manifested by the strategic initiatives funded out of its budget in the current fiscal year for financial assistance to students whose family breadwinners have lost their jobs, among others—see Fitzsimmons address to the Legislature, Feb. 2009.
• Does not get added to institutions’ base funding.
• Ties explicitly to priorities in the public agenda. Examples:
  a. Payments for year-to-year increases in the number of undergraduate degree recipients.
  b. Matching of increases in federal competitive research funding.
  c. Payments for increasing degrees produced in priority fields (e.g., STEM fields and health professions).
  d. Establish “receive-site” funding pools that allow institutions to buy (on a program, not course basis) programs needed in an area, but not provided by the local institution. The receive-site would get a portion of the funding for administrative/student support. All institutions would be eligible to function as receive sites according to their needs and as providers according to their expertise. The relationship between providers and receive sites would be best operated as a contract to protect all parties (students, providing institution, and receive-site).

The table on the following page illustrates three scenarios that illustrate the implementation of a new financing model using differences in tuition policy and allocation of state appropriations. The following are important points in examining these scenarios:

• The three institutional examples are used only to illustrate differences in mission.
• The data are NOT actual data for any UMS institution.
• Under all scenarios, the level of total revenues (from State appropriations plus tuition and fees) should remain the same and is keyed to benchmarks for peer institutions. In other words, under no reasonable scenario would an institution lose revenue, assuming its overall pricing and programming are sound. The Board of Trustees would implement changes in tuition levels only after considering potential impact on affordability and enrollment levels.
### Scenarios for Institutional Component of Possible Funding Model

<table>
<thead>
<tr>
<th>Hypothetical Current Revenue Sources</th>
<th>Hypothetical New Allocations</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Avg Total Revenue Per FTE (Benchmark Level for Peers)</strong></td>
<td><strong>Current Total Revenue per FTE</strong></td>
</tr>
<tr>
<td><strong>Research University Scenario</strong></td>
<td>$16,000</td>
</tr>
<tr>
<td><strong>Urban University Scenario</strong></td>
<td>$12,000</td>
</tr>
<tr>
<td><strong>Regional Open-Access University Scenario</strong></td>
<td>$9,500</td>
</tr>
</tbody>
</table>

*This process will be useful in determining whether each institution has the resources appropriate for its mission (compared to peers). It also will permit the Board of Trustees to determine on the basis of the public agenda and State priorities the percentage of the costs of each institution that should be borne by the State or students.*

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*Task Force Report: Meeting New Challenges, Setting New Directions—July 7, 2009*