FY2007 Budget Presentation

Committee on Appropriations & Financial Affairs
Committee on Education & Cultural Affairs

Chancellor Joseph W. Westphal
Monday, February 6, 2006
Serving Maine Citizens

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

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

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

- Attracted $135 million in grants and contracts in FY05
UMS Overall Financial Environment

FY07 Projected Shortfall
- $15 million projected operating shortfall
- $9 million projected unfunded depreciation
- $24 million Total Projected Shortfall

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

System-wide Deferred Maintenance
- $300 million
Appropriation Request

- FY06 appropriation: $183.2 million
- FY07 appropriation: $183.1 million
- UMS Supplemental Request (FY07): $5 million
- Governor’s budget: $1.75 million
- Unfunded request: $3.25 million
What’s Driving Up Higher Education Costs?

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

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

Projected Data: Common Fund

<table>
<thead>
<tr>
<th>Year</th>
<th>HEPI Yearly</th>
<th>CPI Yearly</th>
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</thead>
<tbody>
<tr>
<td>1995</td>
<td>2.9%</td>
<td>2.7%</td>
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<td>1996</td>
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<tr>
<td>1997</td>
<td>3.5%</td>
<td>1.8%</td>
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<tr>
<td>1998</td>
<td>4.1%</td>
<td>1.7%</td>
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<tr>
<td>1999</td>
<td>4.9%</td>
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<td>2001</td>
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<td>2003</td>
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<td>2005</td>
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<td>3.5%</td>
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<tr>
<td>2006</td>
<td>3.8%</td>
<td>3.0%</td>
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</table>

Data: Common Fund
Cost-cutting Measures

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

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

UMS FTE Student Enrollment
Fall 1995 - Fall 2006

*Projected to grow at 0.5%.
Falling State Support Per Student

State Appropriations per FTE Adjusted for Inflation
FY89 - FY07

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

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

<table>
<thead>
<tr>
<th>Year</th>
<th>State Appropriations</th>
<th>Tuition &amp; Fees</th>
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<td>FY92</td>
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<td>FY07</td>
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Does not include MEIF

State Appropriations / UMS E&G Budget
Tuition & Fees / UMS E&G Budget
Projected
Squeeze on Maine Households

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

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

The Catalyst for Maine’s Future

Maine’s Most Valuable Asset

<table>
<thead>
<tr>
<th></th>
<th>FY01/02</th>
<th>FY02/03</th>
<th>FY03/04</th>
<th>FY04/05</th>
<th>FY05/06</th>
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<tbody>
<tr>
<td>UMS Average In-State Tuition and Fees</td>
<td>$4,472</td>
<td>$4,746</td>
<td>$5,117</td>
<td>$5,486</td>
<td>$5,913</td>
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<td>annual % change</td>
<td>6.1%</td>
<td>7.8%</td>
<td>7.2%</td>
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<td>'02-06 % change</td>
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<td>32.2%</td>
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<tr>
<td>Average National Tuition and Fees</td>
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<td>$4,098</td>
<td>$4,645</td>
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<td>annual % change</td>
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<td>10.0%</td>
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<td>45.8%</td>
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<td>GAP (UMS and National Average)</td>
<td>$706</td>
<td>$648</td>
<td>$472</td>
<td>$360</td>
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Data:  
*UMS and College Board (2005), page 10*
Under-funding and the Consequences for Students

- Major increases in tuition and fees
- Reduced access to needed programs and services
- Delays in graduation
- Increase in number of drop-outs
The Catalyst for Maine’s Future

Additional Consequences

Consequences of under-funding could include:

- Reduced ability to provide student financial aid
- Low or no employee compensation increases
- Delay of scheduled building renovations
- Delayed purchases of essential equipment
- Delay strategic investments in technology and student services
- Reduction in workforce
- Loss of national program accreditation
Example:
UMPI’s Recreation & Leisure Services Program

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

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

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

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

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