AGENDA ITEM SUMMARY

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

2. INITIATED BY: Norman L. Fournier, Chair

3. BOARD INFORMATION: BOARD ACTION: X

4. BACKGROUND:

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

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

CLOSING FY 2015

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

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

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

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

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

5. **TEXT OF PROPOSED RESOLUTION:**

That the Finance, Facilities and Technology Committee forward this item to the Consent Agenda at the July 21, 2014 Board of Trustees meeting for approval of the following resolution:

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

06/20/2014