

UNIVERSITY OF MAINE SYSTEM
Board of Trustees Meeting

June 26, 2020
Zoom Meeting

Board of Trustees Meeting

Present: James Erwin, Chair; Mark Gardner, Vice Chair; Timothy Doak, Sam Collins, James Donnelly, David MacMahon, Michael Michaud, Trish Riley, Pender Makin, Trevor Hustus, Emily Cain, James Erwin, Kelly Martin, Betsey Timm, Sven Bartholomew, and Lisa Eames. **Chancellor:** Dannel Malloy. **Presidents:** Joan Ferrini-Mundy, Ray Rice, Edward Serna, Rebecca Wyke, Deborah Hedeem, and Glenn Cummings. **System Staff:** Ryan Low, Ellen Doughty, Robert Placido, Kay Kimball, Rosa Redonnett, Miriam White, and James Thelen. **Other Participants:** Leigh Saufley, Pam Ashby, and Dan Qualls.

Absent:

Friday – June 26, 2020

PUBLIC SESSION

Trustee Erwin, Chair, welcomed everyone and called the meeting to order. The Clerk performed a roll call of the Trustees present.

CITIZEN COMMENT

Citizen Comment is a time regularly set aside for comments from the public. The following individuals spoke during the Citizen Comment period:

Devon Ingleson – Student Tuition Increases

DISCUSSION ITEM

FY2021 Proposed Operating & Capital Budget and Student Charges – Second Reading

UMS Vice Chancellor for Finance & Administration and Treasurer, Mr. Ryan Low provided an overview of the overall UMS FY2021 Proposed Operating & Capital Budget and Student Charges. Vice Chancellor Low outlined the broad assumptions that were included in the budgets including the impact of State Appropriations, tuition changes, budget stabilization funds, and enrollment. The FY2021 budget was last presented to the Trustees at the June 24th Finance, Facilities, & Technology Committee meeting. The enrollment budgeting process for the FY2021 was focused on returning students and includes more realistic enrollment goals and occupancy rates. Vice Chancellor Low stated that there would likely be supplemental changes to the FY2021 budget submitted over the next few months when more details surrounding State appropriations and actual enrollments have been collected. For some campuses, FY2020 CARES Act funding is insufficient to offset FY2020 COVID19-related costs and losses of revenue; consequently causing the increase of year-end reserve transfers in most cases and further complicating the FY2021 budget. The budget being presented today assumes flat State appropriation, which is down nearly \$6 million from the budget that was presented in March. Vice Chancellor Low is not optimistic that flat State appropriation funds will be provided when all is said and done. COVID19 impact on state revenues may result in an appropriation curtailment in FY2021 which has not been factored into this budget. COVID-19 guidance regarding social distancing and small groups, combined with the public's cautious concerns, will likely result in smaller class sizes, and fewer revenue-generating activities on campus. Additionally, reduced occupancy rates and holding rooms vacant if needed for self-quarantining result in reduced dining & residence revenues.

FY2021 budgeted credit hours are 4.9% below FY2020 budget and 2.1% below FY2020 actuals. The in-state, undergraduate average tuition increase is at the Consumer Price Index (CPI) at 2.5%. UMF is requesting Budget Stabilization while the Law School is utilizing USM, System reserves, and requesting Budget Stabilization. Neither has any reserves and still will not be balanced. UMFK and UMPI are not requesting Budget Stabilization funds at this time; however, UMFK has a negative reserve balance and UMPI may have insufficient reserves to cover projected losses for FY2020/FY2021. UM and UMM will be utilizing campus reserves. The total FY2021 proposed budget results in a deficit of \$5.64 million after reserves and budget stabilization funds are applied. Vice Chancellor Low and his team will work with campuses to try to mitigate their budget shortfalls to some degree; however, many campuses will remain with some balance deficiencies for FY2021. After a projected \$1 million in transfers to UMF and the Law School, the UMS Budget Stabilization fund will have a projected balance of nearly \$10.7 million for FY2021.

The Maine Economic Improvement Fund (MEIF) remains flat for FY2021 at \$17.35 million. UMS enrollment for FY2021 is 4.9% below FY2020 budget and 2.1% below FY2020 actual. FY2021 credit hours are up 2.1%, but below FY2020 actual credit hours. FY2021 out-of-state budgeted represents 26% of the total credit hours. The FY2021 residence hall occupancy rate ranges from 98% at USM to 62% at UMM with a System average of 79%. The Unified Fee and Room & Board rates are increasing at all campuses for FY2021. The average annual increase is \$556 for in-state, undergraduate students residing on campus. Depreciation expense increased by \$2 million from \$38.4 million in FY2020 to \$40.4 million in FY2021. E&G and Auxiliary budgeted capital investment is \$13.9 million which is a decrease of \$1.9 million. Funding through Debt Service is basically flat. 58% of the total depreciation expense is funded in the FY2021 budget, which is down 9% from the FY2020 budget. Although not reflected in this budget, UMS will be making capital investments with State bond funds of \$49 million and revenue bond funds. The UMS FY2021 E&G and Auxiliary Net Change in Cash & Reserve Transfers is projected to be a negative balance of nearly \$5.64 million.

The resolution for this agenda item has been revised since the June 24th, Finance Facilities, & Technology meeting, to reflect the concerns raised by Trustees at that meeting, about approving an unbalanced FY2021 budget.

EXECUTIVE SESSION

On a motion by Trustee Hustus, which was seconded by Trustee Michaud, and approved by a roll call vote of all Trustees present, the Board of Trustees meeting went into Executive Session under the following provisions:

- 1 MRSA Section 405 6-A to discuss the evaluation of personnel and the consideration and discussion of appointments, employment and duties.
- 1 MRSA Section 405 6-C to discuss or consider economic development only if premature disclosure of the information would prejudice the competitive or bargaining position of the System.

On a motion by Trustee Timm, which was seconded by Trustee Donnelly, and approved by a roll call vote of all Trustees present, the Board of Trustees concluded the Executive Session.

PUBLIC SESSION (continued)

Following the Executive Session, the Public Board meeting was reconvened to take action on the following item:

ACTION ITEM

FY2021 Proposed Operating & Capital Budget and Student Charges – Second Reading

On a motion by Trustee Gardner, which was seconded by Trustee Cain, and approved by a roll call vote of all Trustees present, the Board of Trustees accepted the recommendation of the Finance, Facilities and Technology Committee to conditionally approve the FY2021 Proposed Operating & Capital Budget, Recommended amended Student Charges, and proposed Transfers from the Institutional Reserves including Budget Stabilization Funds. The conditions of approval are:

1. The FY2021 budget will be reviewed at the next Finance, Facilities and Technology Committee meeting scheduled for September 2 and at full Board meetings scheduled for September 27-28 and October 28. The Vice Chancellor for Finance and Administration will update the Committee and full Board at these meetings as new information becomes available on Fall 2020 enrollment, ongoing pandemic impact and needs, and possible state E&G appropriation changes and propose any changes necessary to the budget as soon after Fall 2020 census, state E&G appropriation changes, and any other revenue reductions, if any, become more certain.
2. All university FY2021 budgets and the overall UMS FY2021 budget changes proposed must be in balance, with no deficits, for the remainder of FY2021.
3. The Board endorses the Chancellor's on-going System-wide hiring review process.

Trustee Trevor Hustus stated that he did not feel comfortable approving the budget with the recommended student tuition increases and voted not to approve this agenda item; however, with all other Trustees present voting in favor of the proposed FY2021 budget, the item was conditionally approved, as outlined in the resolution.

Additional information about the meeting can be found on the Board of Trustees website:
<https://www.maine.edu/board-of-trustees/wp-content/uploads/sites/12/2020/06/MtgMat-SpecBot-062620-revised-062420.pdf>

DATE OF NEXT MEETING

The next meeting of the Board of Trustees will be held on July 20, 2020, via Zoom.

Adjournment
Heather A. Massey for
Ellen N. Doughty, Clerk