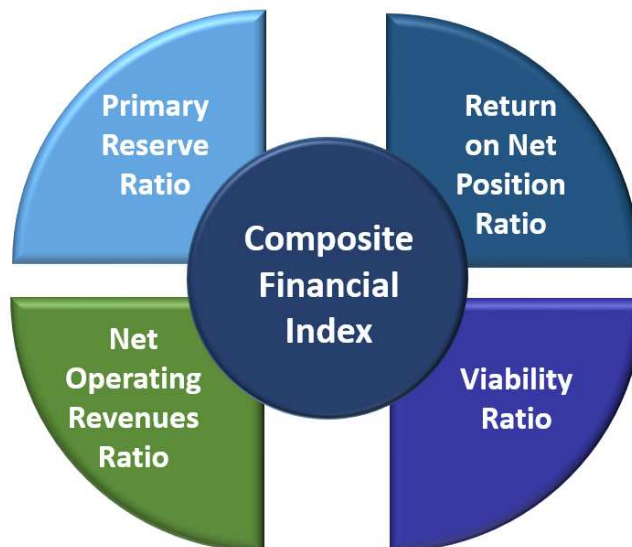




FY2018 Core Financial Ratios and Composite Financial Index



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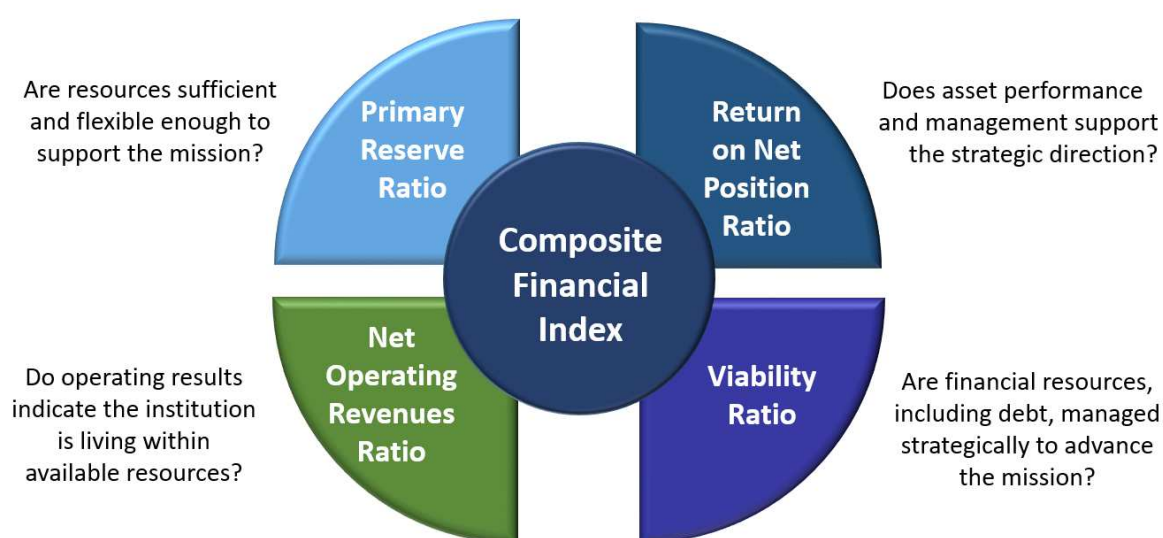
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Introduction

The financial health of the University of Maine System (UMS) can be evaluated through the use of industry benchmarks and ratios. The following ratios and related benchmarks are derived from *Strategic Financial Analysis for Higher Education*, Seventh Edition published by KPMG; Prager, Sealy & Co., LLC; and ATTAIN. This book is widely used in the higher education industry and includes guidance for both private and public institutions.

According to the above publication, there are four fundamental financial questions that need to be addressed and analysis of four core ratios can help us answer these questions.



When combined, these four ratios deliver a single measure of the UMS overall financial health, hereafter referred to as the Composite Financial Index (CFI).

The CFI only measures the financial component of an institution's well-being. It must be analyzed in context with other associated activities and plans to achieve an assessment of the overall health, not just financial health, of the institution. As an example, if two institutions have identical CFI scores, but one requires substantial investments to meet its mission-critical issues and the other has already made those investments, the first institution is less healthy than the second. In fact, a high CFI is not necessarily indicative of a successful institution, although a low CFI generally is indicative of additional challenges. When put in the context of achievement of mission, a very high CFI with little achievement of mission may indicate a failing institution.

Strategic Financial Analysis for Higher Education

Restatement of FY17 Ratios

Adoption of New Accounting Standard

As required by generally accepted accounting principles, in FY18 the UMS adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* (GASB No. 75) related to its postemployment health plan. Pursuant to the provisions of GASB No. 75, the UMS restated its FY17 financial statements to reflect the retroactive application of the accounting change. The overall impact on the FY17 Statement of Revenues, Expenses and Changes in Net Position is that the previously reported FY17 beginning net position decreased by \$102 million as the UMS recognized its full Unfunded Actuarial Accrued Liability while the FY17 Change in Net Position increased \$12 million, resulting in a \$90 million decrease from the previously stated unrestricted net position at June 30, 2017.

Change in FY17 Commonfund Higher Education Price Index (HEPI)

In 2018 there is a new American Association of University Professors (AAUP) methodology related to faculty salaries that led the Commonfund to restate their 2017 HEPI number from 3.7% to 3.3%.

Restated Ratios

We have recalculated and restated the FY17 ratios included in this report for the combined impact of adopting GASB No. 75 and the change in HEPI rate. We have included a comparison of the originally stated and restated ratios in the below table.

FY17 Ratios and CFI						
	Primary Reserve Ratio	Net Operating Revenues Ratio	Return on Net Position Ratio (Nominal Rate)	Return on Net Position Ratio (Real Rate)	Viability Ratio	CFI
UMS as originally stated	0.41	0.53%	2.39%	-1.31%	1.65	2.8
UMS as restated	0.29	2.28%	4.29%	0.99%	1.12	2.5

The **Primary Reserve Ratio** provides a snapshot of financial strength and flexibility by indicating how long the institution could function using its expendable net position (both unrestricted and restricted, excluding net position restricted for capital investments) without relying on additional net position generated by operations.

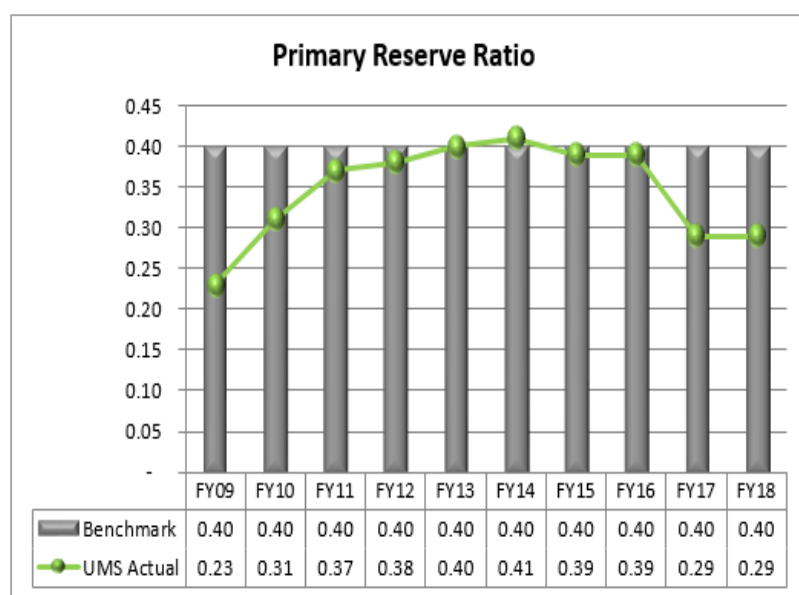
Expendable Net Position

Total Expenses

Key items that can impact expendable net position

- principal payments on debt
- use of unrestricted net position to fund capital construction projects
- operating results (operating revenues – operating expenses + nonoperating revenues – nonoperating expenses + depreciation)
- endowment returns

A ratio of .40x (provides about 5 months) or better is advisable to give institutions the flexibility to manage the enterprise.



After being at or near the benchmark of .40x from FY11 to FY16, the UMS' restated FY17 ratio decreased to .29x with the adoption of GASB No. 75, related to the UMS' postemployment health plan. The impact of adopting GASB No. 75 was a decrease of \$89.6 million in the previously stated 6/30/17 unrestricted expendable net position and a \$12 million decrease in previously stated FY17 expenses.

In FY18, the ratio remained at .29x as expendable net position increased just \$8 thousand and expenses increased \$23.5 million.

Ratio Components \$ in thousands										
	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18
Unrestricted expendable net position	\$ 83,597	\$ 127,832	\$ 165,857	\$ 176,632	\$ 183,219	\$ 171,528	\$ 155,712	\$ 156,602	\$ 81,652	\$ 88,568
Restricted expendable net position	\$ 68,458	\$ 74,405	\$ 85,449	\$ 79,998	\$ 89,366	\$ 104,919	\$ 104,188	\$ 104,422	\$ 110,672	\$ 111,783
Total expendable net position	\$152,055	\$ 202,237	\$ 251,306	\$ 256,630	\$ 272,585	\$ 276,447	\$ 259,900	\$ 261,024	\$ 192,324	\$ 200,351
Total expenses	\$658,537	\$ 659,848	\$ 678,554	\$ 683,854	\$ 679,877	\$ 677,057	\$ 674,211	\$ 665,431	\$ 672,917	\$ 696,452

The **Net Operating Revenues Ratio** is a measure of operating results and answers the question, “Do operating results indicate that the University is living within available resources?” Operating results either increase or decrease net position and, thereby, impact the other three core ratios.

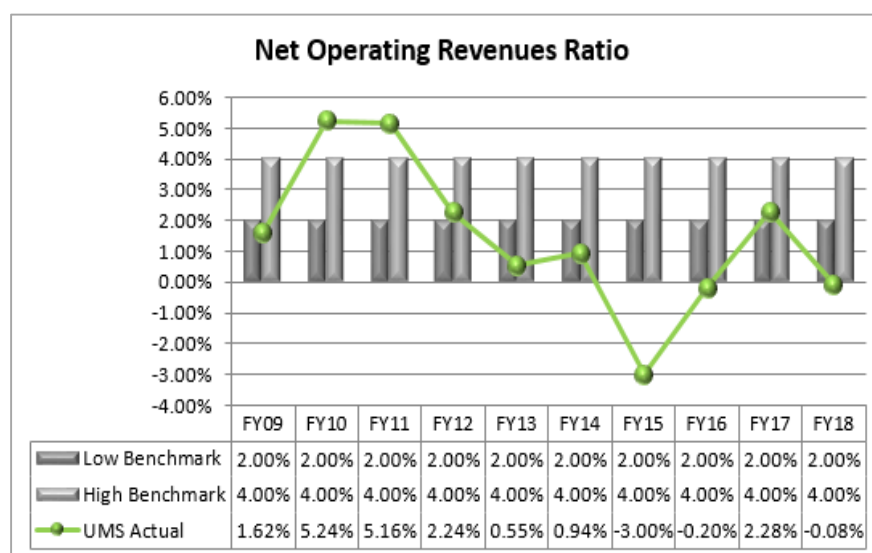
Operating Income (Loss) plus Net Non-Operating Revenues (Expenses)

Operating Revenues plus Non-Operating Revenues

The primary reason institutions need to generate some level of surplus over long periods of time is because operations are one of the sources of liquidity and resources for reinvestment in institutional initiatives.

Strategic Financial Analysis for Higher Education

A target of at least 2% to 4% is a goal over an extended time period, although fluctuations from year to year are likely. A key consideration for institutions establishing a benchmark for this ratio would be the anticipated growth in total expenses.



The adoption of GASB No. 75 also impacted the UMS' FY17 Net Operating Revenues Ratio, as a \$12 million reduction in benefit expenses caused the FY17 ratio to climb from the original .53% to the restated 2.28%.

In FY18, the UMS' Net Operating Revenues Ratio dropped to -0.08% as a \$7 million increase in total operating and nonoperating revenues was outpaced by a \$24 million increase in

operating expenses. -

Ratio Components \$ in thousands										
	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18
Operating revenues	\$ 449,529	\$ 472,377	\$ 487,154	\$ 479,924	\$ 463,621	\$ 453,211	\$ 436,127	\$ 436,897	\$ 448,172	\$ 458,019
Operating expenses	\$ (649,054)	\$ (650,802)	\$ (670,069)	\$ (675,822)	\$ (672,637)	\$ (671,271)	\$ (669,065)	\$ (660,682)	\$ (668,259)	\$ (692,111)
Operating Loss	\$ (199,525)	\$ (178,425)	\$ (182,915)	\$ (195,898)	\$ (209,016)	\$ (218,060)	\$ (232,938)	\$ (223,785)	\$ (220,087)	\$ (234,092)
Net nonoperating revenues	\$ 210,350	\$ 214,921	\$ 219,828	\$ 211,592	\$ 212,798	\$ 224,490	\$ 213,311	\$ 222,453	\$ 235,784	\$ 233,504
Operating income (loss) plus net non-operating revenues (expenses)	\$ 10,825	\$ 36,496	\$ 36,913	\$ 15,694	\$ 3,782	\$ 6,430	\$ (19,627)	\$ (1,332)	\$ 15,697	\$ (588)
Operating revenues plus non-operating	\$ 669,362	\$ 696,344	\$ 715,467	\$ 699,548	\$ 683,659	\$ 683,487	\$ 654,584	\$ 664,099	\$ 688,614	\$ 695,864

The **Return on Net Position Ratio** measures asset performance and management. It determines whether an institution is financially better off than in the previous year by measuring total economic return. It is based on the level and change in total net position. An improving trend in this ratio indicates that the institution is increasing its net position and is likely to be able to set aside financial resources to strengthen its future financial flexibility.

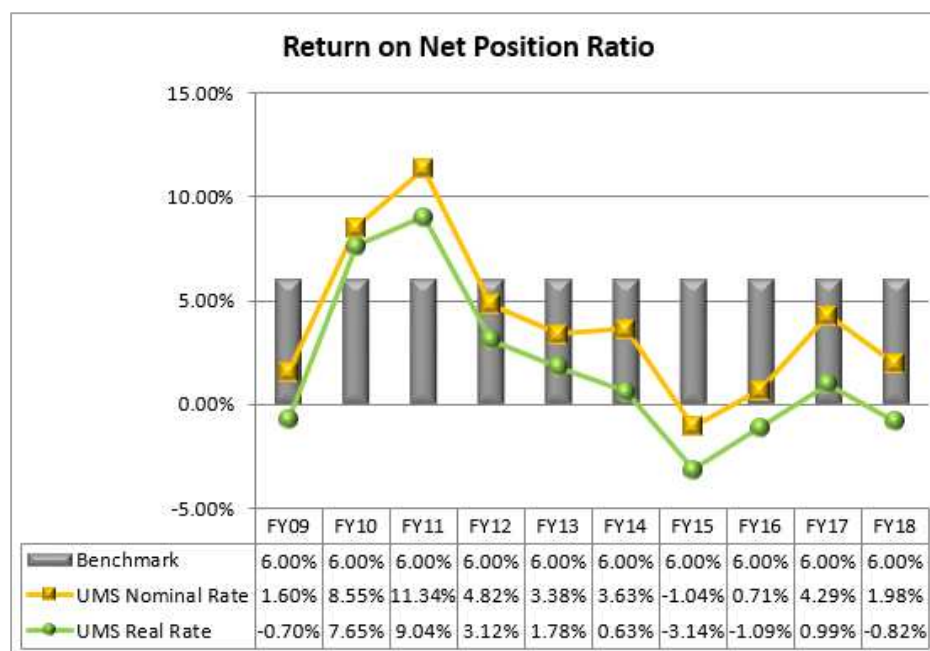
Change in Net Position

Total Beginning of Year Net Position

Key items that can impact expendable net position

- items that impact the Net Operating Revenues Ratio
- endowment returns
- capital appropriations, grants, gifts, and transfers
- endowment gifts

The nominal rate of return on net position is the actual return unadjusted for inflation or other factors. The real rate of return adjusts the nominal rate for the effects of inflation using the Higher Education Price Index.



The adoption of GASB No. 75, caused the UMS' FY17 nominal rate of return to increase to 4.29% from the previously calculated 2.39% as FY17 expenses were reduced by \$12 million and beginning of year net position was reduced by \$101.7 million.

The UMS' FY18 nominal rate was 1.98% as an increase in operating expenses outpaced the increase in total operating and nonoperating revenues.

The FY18 real rate of return was a loss of .82%.

	Ratio Components \$ in thousands									
	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18
Operating income (loss) plus net non-operating revenues	\$ 10,825	\$ 36,496	\$ 36,913	\$ 15,694	\$ 3,782	\$ 6,430	\$ (19,627)	\$ (1,332)	\$ 15,697	\$ (588)
Other changes in net position	\$ (580)	\$ 19,205	\$ 43,256	\$ 22,274	\$ 24,082	\$ 24,037	\$ 10,555	\$ 7,406	\$ 17,096	\$ 16,422
Change in total net position	\$ 10,245	\$ 55,701	\$ 80,169	\$ 37,968	\$ 27,864	\$ 30,467	\$ (9,072)	\$ 6,074	\$ 32,793	\$ 15,834
Total net position (beginning of year)	\$ 641,260	\$ 651,505	\$ 707,206	\$ 787,375	\$ 825,343	\$ 839,236	\$ 869,703	\$ 860,631	\$ 765,046	\$ 797,839

The **Viability Ratio** measures expendable resources that are available to cover debt obligations (e.g., capital leases, notes payable, and bonds payable) and generally is regarded as governing an institution's ability to assume new debt.

Expendable Net Position

Long-Term Debt

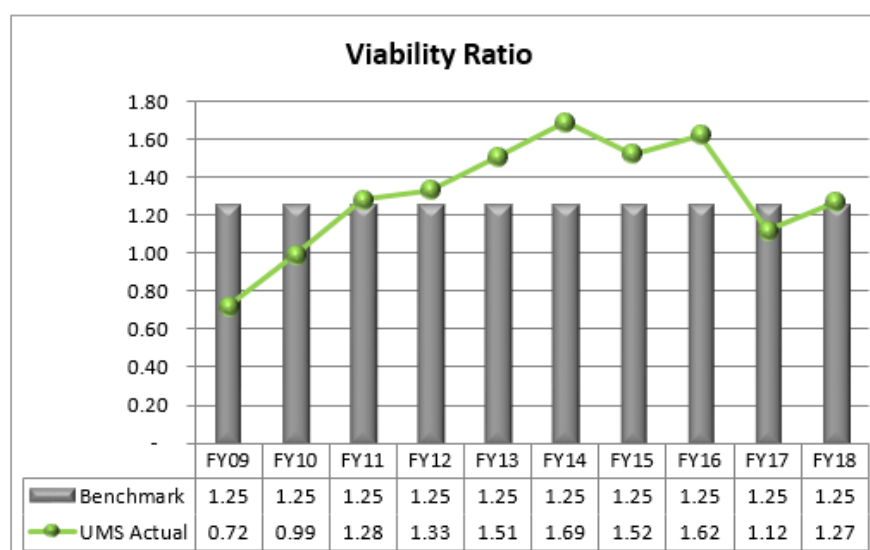
Key items that can impact expendable net position

- principal payments on debt
- use of unrestricted net position to fund capital construction projects
- operating results (operating revenues – operating expenses + nonoperating revenues – nonoperating expenses + depreciation)
- endowment returns

There is no absolute threshold that will indicate whether the institution is no longer financially viable. However, the Viability Ratio, along with the Primary Reserve Ratio discussed earlier, can help define an institution's "margin for error". As the Viability Ratio's value falls below 1:1, an institution's ability to respond . . . , to adverse conditions from internal resources diminishes, as does its ability to attract capital from external sources and its flexibility to fund new objectives.

Strategic Financial Analysis for Higher Education

A ratio of 1.25 or greater indicates that there are sufficient resources to satisfy debt obligations.



At 1.27 for FY18, the UMS's Viability ratio is once again above the industry benchmark of 1.25, after losing ground in FY17 from the adoption of GASB No. 75 which reduced FY17 unrestricted expendable net position by \$89.6 million.

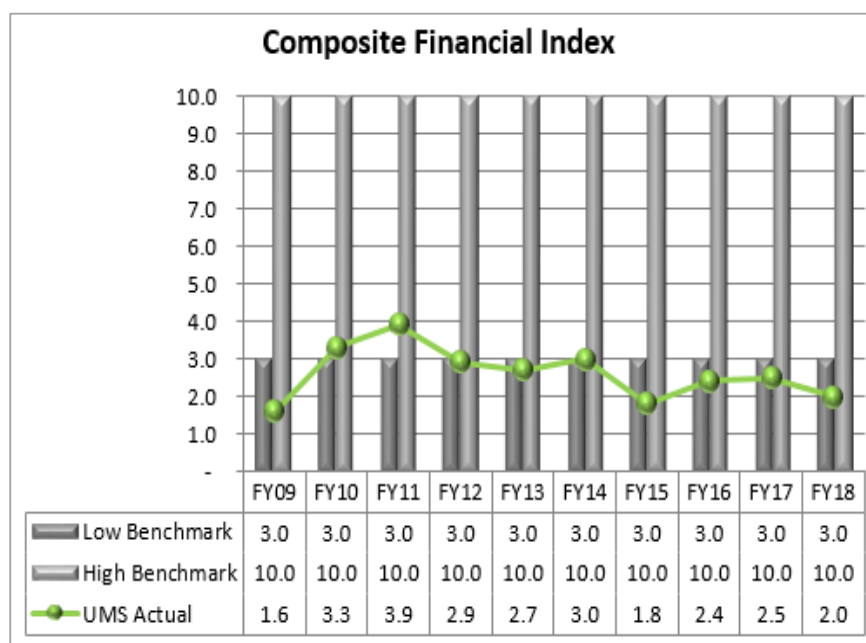
Ratio Components \$ in thousands										
	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18
Unrestricted expendable net position	\$ 83,597	\$ 127,832	\$ 165,857	\$ 176,632	\$ 183,219	\$ 171,528	\$ 155,712	\$ 156,602	\$ 81,652	\$ 88,568
Restricted expendable net position	\$ 68,458	\$ 74,405	\$ 85,449	\$ 79,998	\$ 89,366	\$ 104,919	\$ 104,188	\$ 104,422	\$ 110,672	\$ 111,783
Total expendable net position	\$152,055	\$ 202,237	\$ 251,306	\$ 256,630	\$ 272,585	\$ 276,447	\$ 259,900	\$ 261,024	\$ 192,324	\$ 200,351
Long-term debt	\$212,185	\$ 203,455	\$ 196,566	\$ 193,680	\$ 180,785	\$ 163,866	\$ 170,862	\$ 161,353	\$ 171,214	\$ 157,328

The **Composite Financial Index (CFI)** creates one overall financial measurement of the institution's health based on the four core ratios: Primary Reserve Ratio, Net Operating Revenues Ratio, Return on Net Position Ratio, and Viability Ratio. By blending these four key measures of financial health into a single number, a more balanced view of the state of the institution's finances is possible because a weakness in one measure may be offset by the strength of another measure.

CFI Calculation:

1. - Compute the values of the four core ratios;
2. - Convert the ratio values to strength factors along a common scale;
3. - Multiply the strength factors by specific weighting factors; and
4. - Total the resulting four numbers (ratio scores) to reach the single CFI score.

A score of 1.0 indicates very little financial health; 3, the low benchmark, represents a relatively stronger financial position; and 10 is the top of the scale.

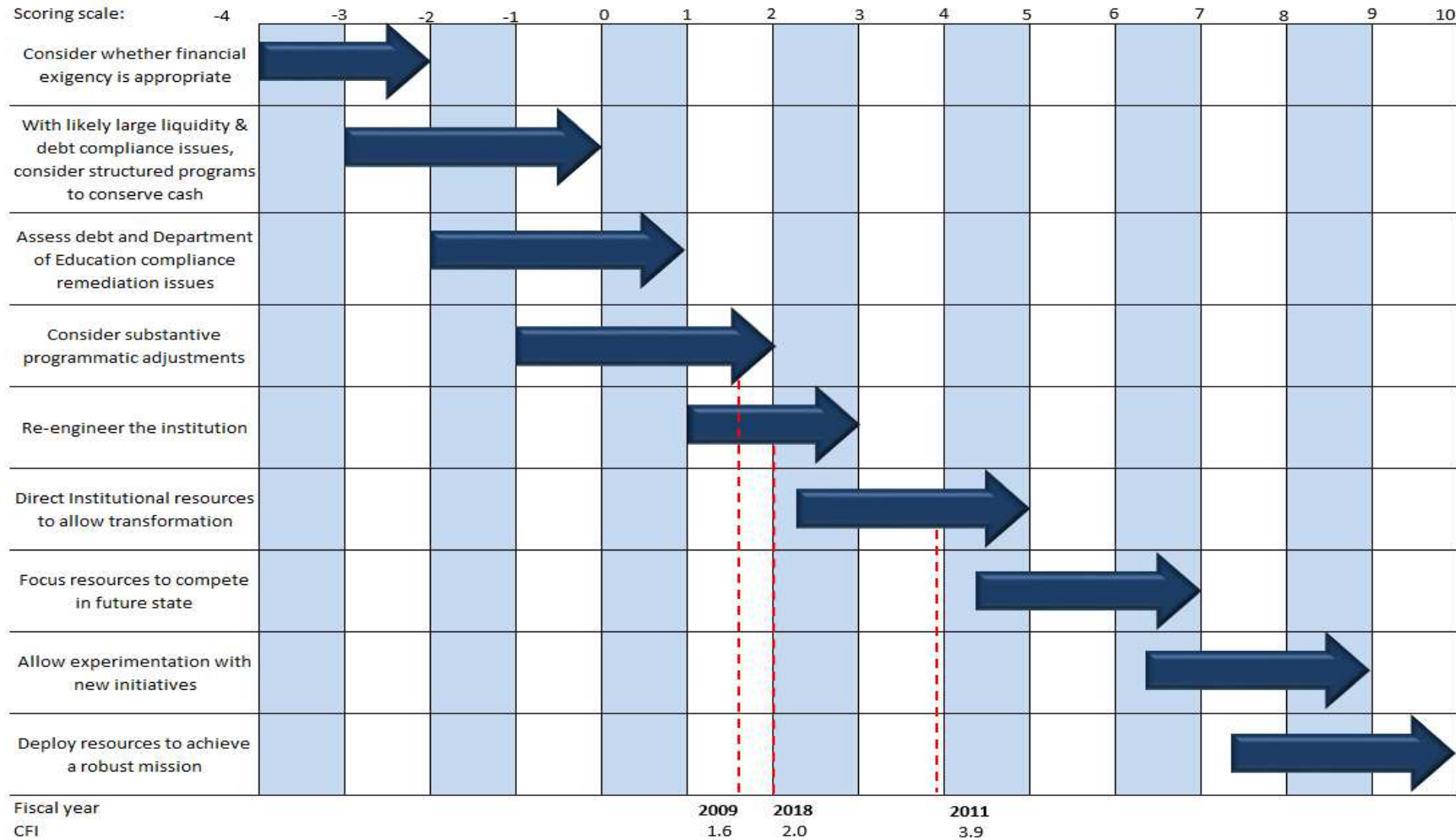


Although the adoption of GASB No. 75 had a significant impact on the individual FY17 core ratios, the impact on the CFI was a decrease of just .3 as the FY17 CFI went from an original score of 2.8 to a restated score of 2.5.

The Net Operating Revenues and Return on Net Position ratios are the key factors in the CFI decrease from FY17 to FY18.

Performance of the CFI score can be evaluated on a scale of -4 to 10 as shown on the following page. These scores do not have absolute precision. They are indicators of ranges of financial health that can be indicators of overall institutional well-being, when combined with nonfinancial indicators. This would be consistent with the fact that there are a large number of variables that can impact an institution and influence the results of these ratios. However, the ranges do have enough precision to be indicators of the institutional financial health, and the CFI as well as its trend line, over a period of time, can be the single most important measure of the financial health for the institution.

The overlapping arrows represent the ranges of measurement that an institution may find useful in assessing itself. We have overlaid the scale with UMS' lowest (FY09), highest (FY11), and most recent CFI scores to assist in evaluating UMS' performance.



CFI Calculation										
Fiscal Year	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18
+ Primary Reserve Ratio	0.23	0.31	0.37	0.38	0.40	0.41	0.39	0.39	0.29	0.29
/ Common Scale Value *	0.133	0.133	0.133	0.133	0.133	0.133	0.133	0.133	0.133	0.133
= Strength Factor **	1.73	2.33	2.78	2.86	3.01	3.08	2.93	2.93	2.18	2.18
X Weighting Factor ***	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%
Ratio Score	0.61	0.82	0.97	1.00	1.05	1.08	1.03	1.03	0.76	0.76
+ Net Operating Revenues Ratio	1.62%	5.24%	5.16%	2.24%	0.55%	0.94%	-3.00%	-0.20%	2.28%	-0.08%
/ Common Scale Value *	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%
= Strength Factor **	2.31	7.49	7.37	3.20	0.79	1.34	-4.00	-0.29	3.26	-0.11
X Weighting Factor ***	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%
Ratio Score	0.23	0.75	0.74	0.32	0.08	0.13	-0.40	-0.03	0.33	-0.01
+ Return on Net Position Ratio	1.60%	8.55%	11.34%	4.82%	3.38%	3.63%	-1.04%	0.71%	4.29%	1.98%
/ Common Scale Value *	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
= Strength Factor **	0.80	4.28	5.67	2.41	1.69	1.82	-0.52	0.36	2.15	0.99
X Weighting Factor ***	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%
Ratio Score	0.16	0.86	1.13	0.48	0.34	0.36	-0.10	0.07	0.43	0.20
+ Viability Ratio	0.72	0.99	1.28	1.33	1.51	1.69	1.52	1.62	1.12	1.27
/ Common Scale Value *	0.417	0.417	0.417	0.417	0.417	0.417	0.417	0.417	0.417	0.417
= Strength Factor **	1.73	2.37	3.07	3.19	3.62	4.05	3.65	3.88	2.69	3.05
X Weighting Factor ***	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%
Ratio Score	0.61	0.83	1.07	1.12	1.27	1.42	1.28	1.36	0.94	1.07
Composite Financial Index	1.6	3.3	3.9	2.9	2.7	3.0	1.8	2.4	2.5	2.0

* = The common scale value is derived from the scoring scale defined by the authors of *Strategic Financial Analysis for Higher Education*, Seventh Edition for public institutions with an endowment spending rate.

** = The strength factor is the result of dividing the ratio value by the common scale value to determine a comparable value (strength) for each ratio that can be analyzed on a common scale of -4 to 10.

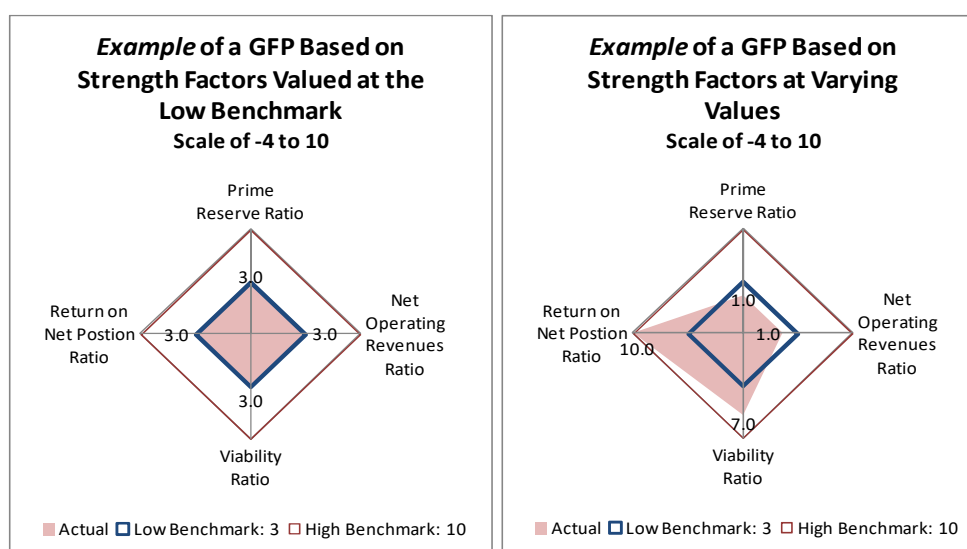
*** = The weighting factor is derived from the weighting schema defined by the authors of *Strategic Financial Analysis for Higher Education*, Seventh Edition for institutions with long-term debt.

The strength factors that were used in calculating the CFI can be mapped on a diamond graph to show the shape of an institution's financial health compared to the industry benchmarks. This **Graphic Financial Profile** can assist management in determining whether a weakness in one ratio is offset by strength in another ratio.

The UMS' Graphic Financial Profiles begin on the next page.

Illustration

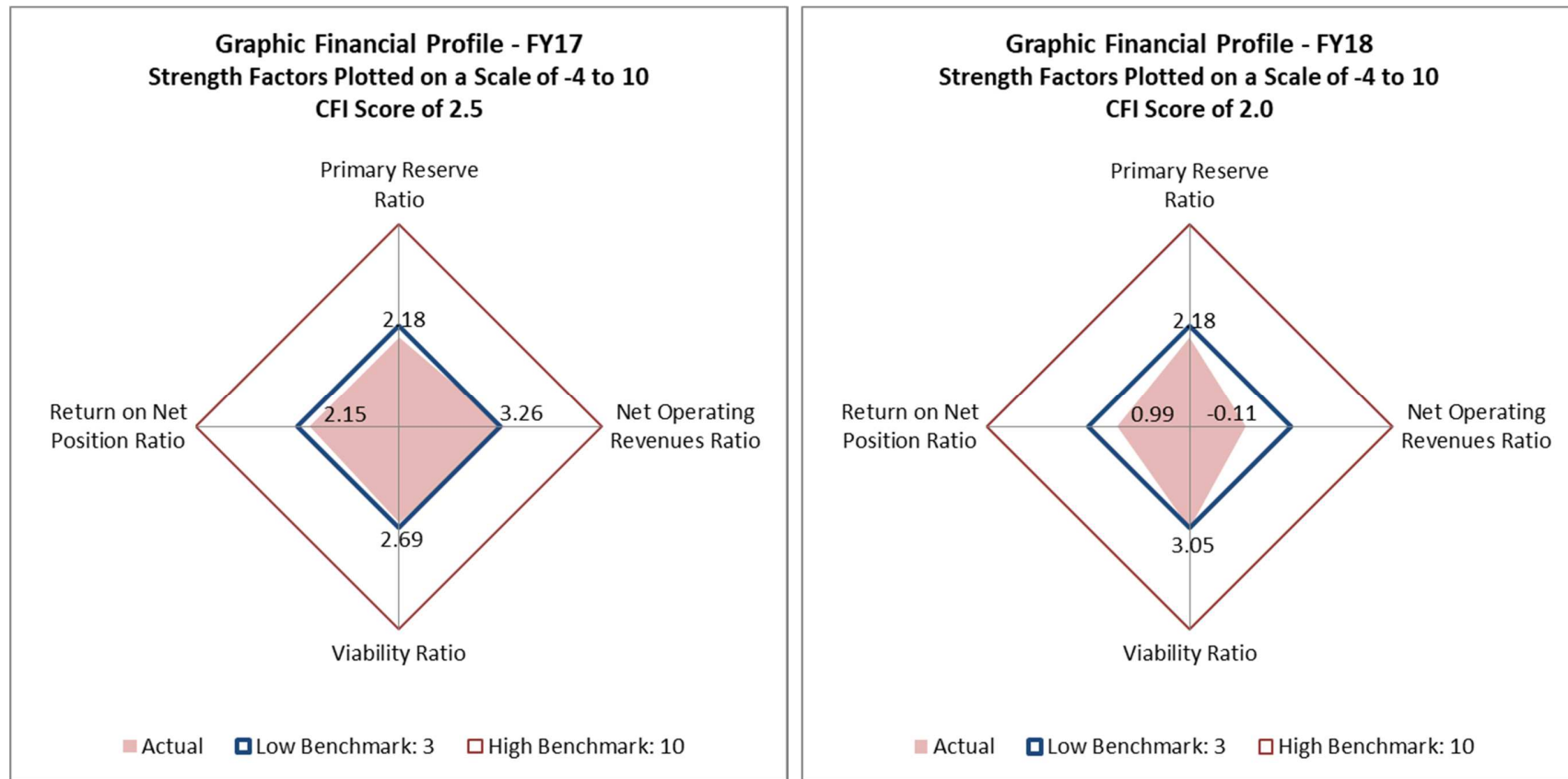
Below are two examples of a Graphic Financial Profile (GFP): one plots actual strength factors that equal the low industry benchmark of 3 and one that plots actual strength factors that fall above and below the low benchmark:



- The center point of the graphic financial profiles is -4, the lowest possible score on the scale.
- The smaller, heavily lined diamond in the graphs represents the low industry benchmark of 3.
- The outer, lightly lined diamond represents the high industry benchmark of 10 and the highest possible score on the scale for each ratio.
- The actual values of the institution's ratio strength factors are plotted and shaded to show how the institution's health compares with the low (3) and high (10) industry benchmarks. In the left graph, the plotted actual values fill the smaller diamond as each of the actual values is at the low benchmark of 3. In the right graph, the smaller diamond is not filled as the actual values of two ratios fall below the low industry benchmark of 3. Also, in the right graph, part of the outer diamond is filled as values for two of the ratios surpass the low benchmark of 3.

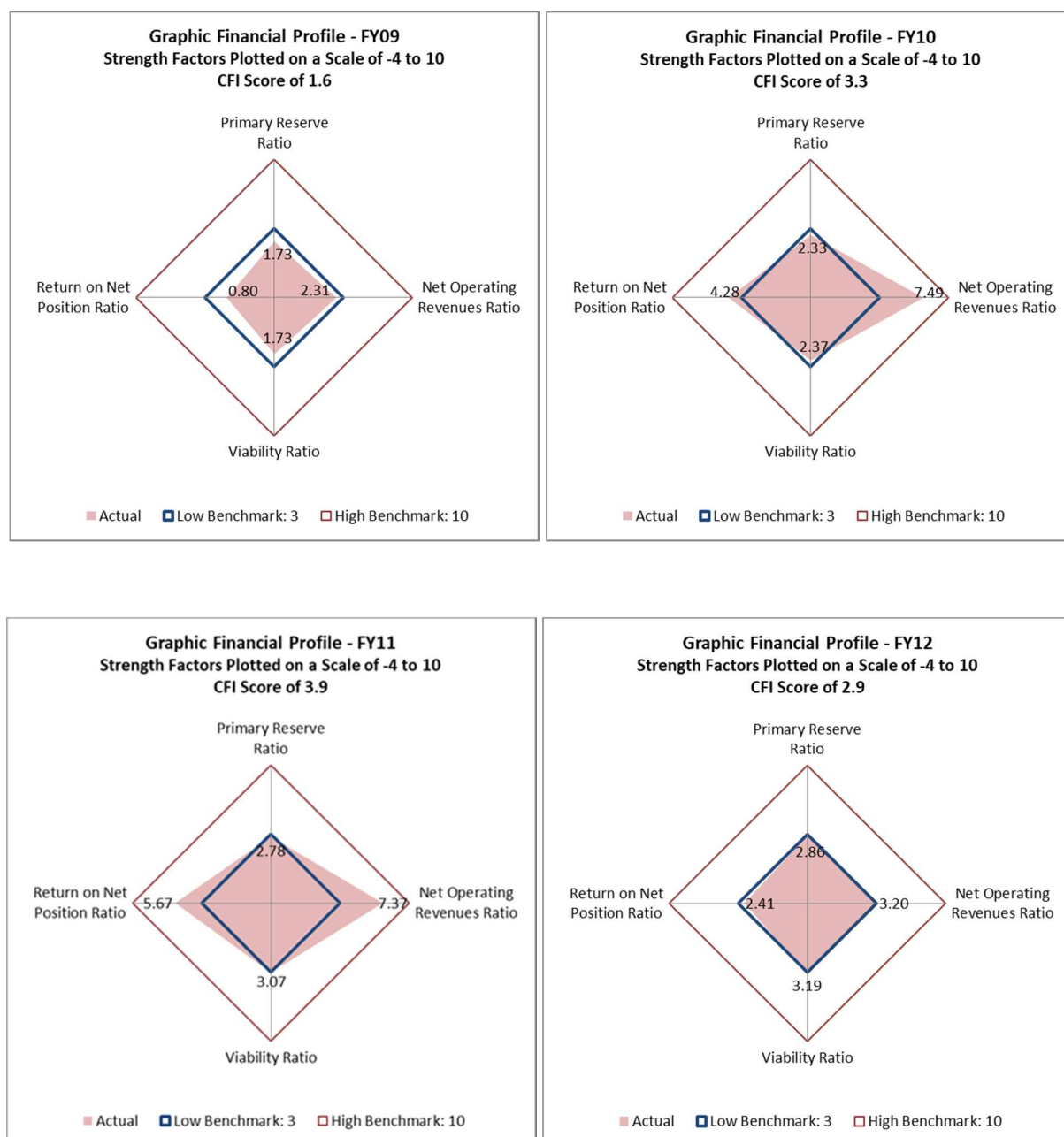
UMS Graphic Financial Profiles FY17 and FY18

The UMS' restated FY17 graphic financial profile is more balanced than originally reported as returns from operations and on net position increased pursuant to the adoption of GASB No. 75. In FY18, the shape of the UMS' graphic financial profile constricted toward center, as the UMS experienced reduced returns from operations and from net position.

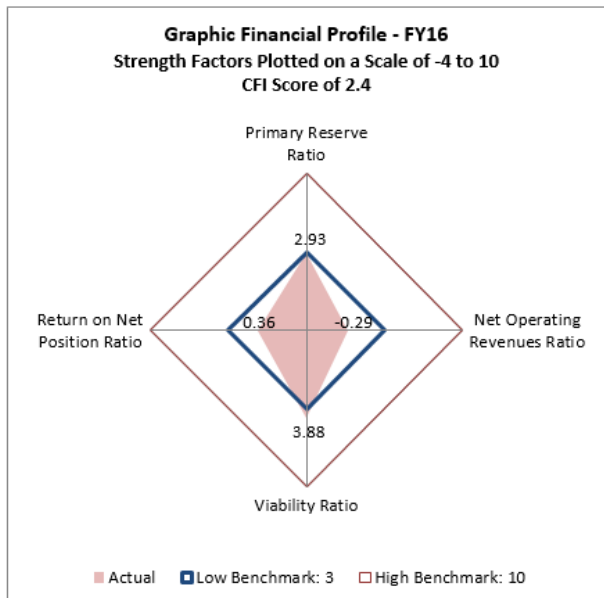
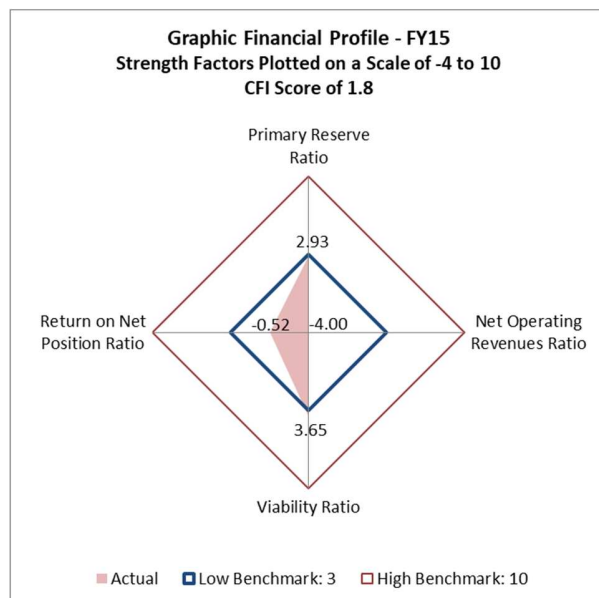
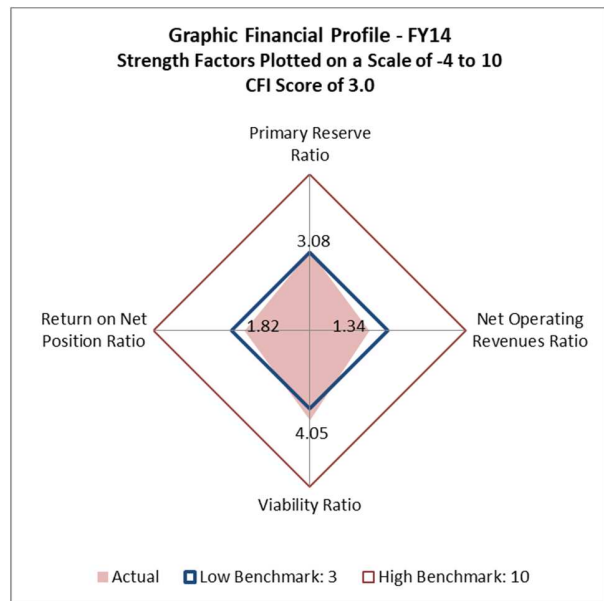
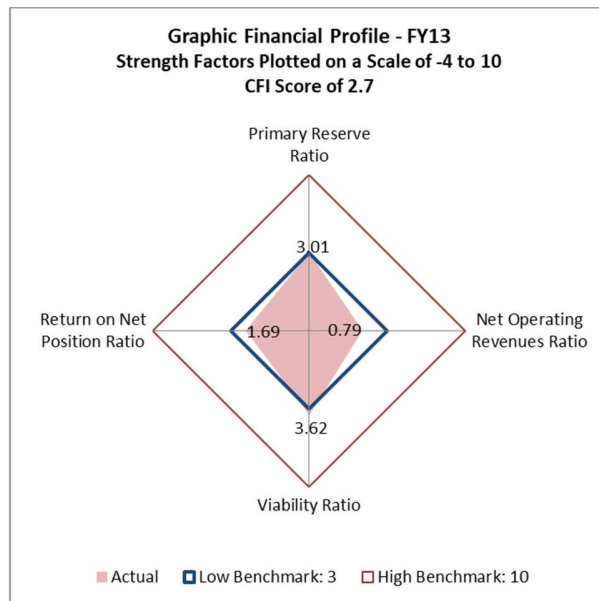


UMS Graphic Financial Profiles FY09 to FY16

Changes in the shape of the UMS' graphic financial profile for FY09 thru FY16 can be seen below and on the next page.



UMS Graphic Financial Profiles Continued



UMS Financial Highlights FY09 thru FY17

The following financial highlights are provided as a resource in understanding prior years' changes in the core ratios and CFI.

Endowment returns net of amount used for operations (i.e.,

Endowment Returns Net of Amount Used for Operations (In millions)									
FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18
(\$22.9)	\$4.9	\$14.4	(\$6.4)	\$8.4	\$13.8	(\$6.2)	(\$7.9)	\$7.4	\$3.1

undistributed) have fluctuated significantly over the years with changes in market returns.

Capital appropriation revenue from the State of Maine fluctuates with the availability of voter approved bond proceeds and the timing of the UMS' expenditure of those proceeds. Capital appropriation revenues have been as high as \$13.1 million (FY16) and as low as \$1.9 million (FY14).

Capital grants and gifts revenue is also subject to fluctuation depending on the construction and fundraising activities that are occurring. During the past ten years, this revenue stream has been as high as \$22.6 million in FY11 and as low as \$2.9 million in FY16. The FY11 level is primarily attributable to grants received for wind energy research at the University of Maine.

FY09: Facing a 3.4% (\$6.8 million) decrease in noncapital state appropriation and poor investment market conditions, the UMS made budget cuts and held the increase in total unrestricted and restricted operating expenses to .8% or \$4.7 million. These efforts combined with a 9.1% (\$19.6 million) increase in net student fees revenue and the late receipt of \$6.6 million in State fiscal stabilization revenue enabled the UMS to increase its Net Operating Revenues Ratio in FY09.

FY10: Factors impacting the FY10 ratios include the following:

- The UMS reduced its unrestricted budget again in FY10 as it faced another decrease in noncapital state appropriation and uncertain investment market conditions. Total operating expenses did, however, increase .2% (\$500,000) due to a substantial increase in grant funded activities thanks in part to

American Recovery and Reinvestment Act (ARRA) funding.

- Although gross student fees revenue increased 4% primarily due to an increase in rates charged to students, net student fees only increased .7% due to a substantial increase in PELL monies awarded to the students as noted in the next bullet.
- The UMS received a \$12.3 million increase in PELL funding during FY10. Although the exact impact on the ratio is not readily determinable; we do know that it impacted the following components of the ratio calculation: the funding increased operating revenues while expenditure of the funding was split on a student by student basis between scholarship allowance which decreases operating revenues and scholarship expense which is a component of operating expenses.

- The UMS received State Fiscal Stabilization revenues in the amount of \$7.2 million which were primarily used to fund compensation and benefits and student aid. FY11 will be the last year in which the UMS will receive this revenue stream.

FY11: Total operating and nonoperating revenues increased by 2.7% (\$18.7 million), but were offset by a 2.8% (\$18.3 million) increase in total operating and nonoperating expenses, resulting in a Net Operating Revenues Ratio that approximates that for FY10. Significant fluctuations included the following:

- PELL funding again increased, accounting for \$5.6 million of the \$12.2 million increase in grants and contracts revenue. As noted above for FY10, increases in PELL funding increase operating revenues while expenditure of the funding is split between scholarship allowance which decreases operating revenues and scholarship expense which is a component of operating expenses.
- The remaining \$6.6 million increase in FY11 grants and contracts revenue is directly offset by an increase in operating expenses.
- Noncapital State of Maine appropriation revenue increased for the first time since FY08, increasing \$5 million over the FY10 amount. However, at \$195 million, the FY11 appropriation revenue is still below the FY08 high of \$201 million.
- Total student aid costs (scholarship allowance + student aid expense) increased \$10.8 million as a result of the previously mentioned increase in PELL funding and an increase in scholarships funded from

unrestricted resources to partially offset the increased tuition rate charged to students.

FY12: Total operating and nonoperating revenues decreased by 2.3% (\$16 million) and total operating expenses increased .8% (\$5.2 million), resulting in a Net Operating Revenues Ratio that is less than half of what it was for the prior two fiscal years. Significant fluctuations in revenues included the following:

- With the expiration of ARRA funding, State Fiscal Stabilization revenue decreased \$6.5 million and operating grants and contracts revenue decreased \$3.6 million. Grants and contracts revenue decreased an additional \$2.8 million due to federal cuts in the Academic Competitiveness Grant (ACG) and Science and Mathematics Access to Retain Talent Grant (SMART) programs.
- Investment income decreased \$6.1 million (57%) due to market conditions.
- Gross tuition and fees revenue increased \$5 million (or 2%) over FY11 primarily due to a 4.1% weighted average increase in undergraduate in-state tuition and mandatory fees. The increase, however, was partially offset by a 2% decline in credit hour enrollments from FY11 to FY12.

A \$7 million increase in compensation and benefits in FY12 was tempered by a \$3.6 million decrease in grant related expenses due to the previously noted decrease in grants and contracts revenue.

The UMS refinanced a balloon payment on its 2002 Revenue Bonds and also issued \$6.4 million of new money bonds.

FY13: The return from operations decreased \$11.9 million from the FY12 return. Factors contributing to this decrease include:

- Gross tuition and fees increased only .8% or \$2.8 million over FY12 as UMS management elected to freeze in-state tuition and fee rates.
- Recovery of indirect costs revenue decreased \$1.1 million as grant and contract revenues declined. The decline in grant and contract revenues itself does not directly impact the return from operations because such revenues are recognized only to the extent of related expenses.
- Nongrants and noncontracts expenses increased from FY12 to FY13 by \$12.8 million or 2%.

The UMS refinanced \$72.03 million of bonds in FY13 for a net present value savings of \$7.5 million.

FY14: Although total revenues changed by an insignificant amount from FY13 to FY14, individual categories of revenue had significant fluctuations.

- Operating revenues decreased by \$10.4 million or 2%. Of significance here is that unrestricted revenue sources like net student fees and other auxiliary revenues accounted for \$5.2 million or 50% of the decrease and restricted grants and contracts revenue and the related recovery of indirect costs accounted for the remainder.
- Nonoperating revenues increased \$10.2 million or 4.6% with noncapital gifts and investment income accounting for \$6.3 million or 62% of the increase. Noncapital State of Maine appropriation accounted for \$3.8 million or 37% of the increase.

FY15: Operating expenses stayed flat, declining just .4% or \$2.8 million from the prior year, while the total of operating and nonoperating revenues declined 4.2% or \$28.9 million. Significant factors in the revenue decline included the following:

- Investment income decreased \$13.6 million or 103.8% as market conditions declined and UMS experienced a loss in FY15.
- Gross student fees were basically flat, but more was spent on financial aid, accounting for a \$5.7 million or 2.4% decline in net student fees revenue.
- Grants and contracts revenue combined with the related recovery of indirect costs revenue decreased \$10.1 million or 6.5%.

The UMS issued \$48.45 million in bonds to refund \$38.15 million in previously issued bonds and to provide \$12.71 million for heating projects at the University of Maine at Farmington and the University of Maine at Machias.

FY16: Operating revenues remained relatively flat, increasing just under \$1 million from FY15 to FY16, while nonoperating revenues increased 4% or \$9 million, and operating expenses decreased 1% or \$8 million.

- State of Maine appropriation, expendable gifts, and investment return related to operating investments increased \$3 million each.
- The decrease in operating expenses includes a \$16 million decrease in compensation and benefits, offset in part by a \$6 million increase in supplies and services, and smaller fluctuations in other expense categories.

FY17: Net student fees revenue increased \$9 million from FY16 to FY17, accounting for 82% of the \$11 million increase in operating revenues. This was the first increase in net

student fees revenue since FY13. Nonoperating revenues also increased due to an \$11 million increase in noncapital State of Maine appropriation revenue, a \$7 million increase in investment income and a \$4 million decrease in expendable gifts.

The UMS issued \$30.34 million in bonds to refund \$13.2 million in previously issued bonds for net present value savings of \$1.4 million, and to provide \$20.6 million of new monies for WiFi and classroom technology upgrades throughout the UMS. The debt service on the new money portion of the bonds is to be funded from a restricted appropriation from the State of Maine.