



Maine's  
Public  
Universities

UNIVERSITY OF MAINE SYSTEM

FY2018

PROPOSED OPERATING BUDGET,  
CAPITAL BUDGET, & STUDENT  
CHARGES

Board of Trustees

May 21-22, 2017



UNIVERSITY OF  
SOUTHERN MAINE

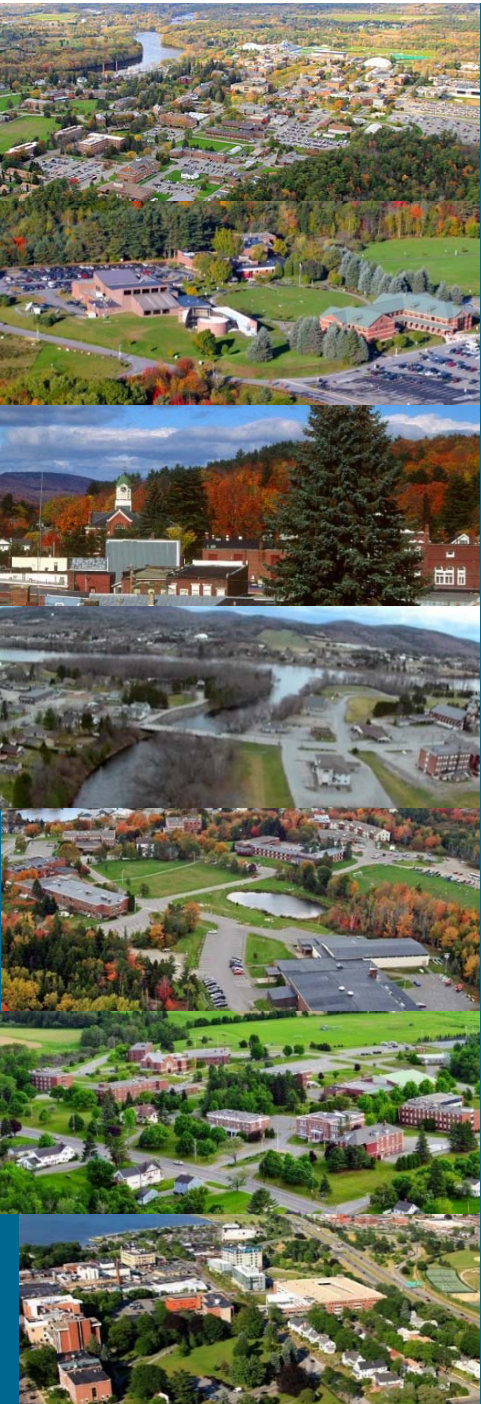




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# FY18 Budget Overview

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- **Budget focus on Board of Trustees priority & secondary outcomes**
  - **Enrollment Increase**
    - Credit hour generation is projected to increase by 12,700 credit hours in FY18
  - **First in-state, undergraduate tuition & Unified Fee increase since FY12.**
    - 2.6% based on CPI; Unified Budget Pricing Structure partially implemented
  - **\$3M in administrative savings allocated**
    - UMFK & UMM - \$1M base allocation each; UMPI - \$500K in base allocation and \$500K on a one-time basis
  - **Campus reserve funds**
    - 2 campuses are using campus reserves to balance in FY18
  - **Governor LePage's proposed FY2018-19 biennial budget increases appropriation annually by \$1.65M**



# FY18 Budget Overview

	E&G	Auxiliary	Total	Campus Reserves	Administrative Savings	*Budget Stabilization	Total
UMaine	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
UMA	(990,828)	(45,961)	(1,036,789)	1,036,789	-	-	0
UMF	-	47,835	47,835	-	-	-	47,835
UMFK	432,662	(167,423)	265,239	-	-	-	265,239
UMM	-	-	-	-	-	-	0
UMPI	(200,060)	200,060	-	-	-	-	0
USM (Excl. Law)	(3,215,228)	118,918	(3,096,310)	3,215,228	-	-	118,918
Maine Law	(550,640)	-	(550,640)	275,320	-	275,320	0
Governance	(500,000)	-	(500,000)	500,000	-	-	0
Univ. Svs	-	-	-	-	-	-	0
<b>**Total</b>	<b>\$(5,024,094)</b>	<b>\$ 153,429</b>	<b>\$(4,870,665)</b>	<b>\$ 5,027,337</b>	<b>\$ 0</b>	<b>\$ 275,320</b>	<b>\$ 431,992</b>

\*Unused from FY16

\*\*Does not include \$3.3 million in administrative savings set aside for strategic investment

# Budget Stabilization Fund

- The Budget Stabilization Fund was created to enable the UMS to smooth the financial impact of adverse markets, economic conditions, and address other financial challenges.
- The Budget Stabilization Fund was established in 2010 and has been built from net investment income that exceeded budget pursuant to the Board of Trustees investment policy.
- The treasurer will only authorize all or a portion of the transfer needed to offset a net unrestricted operating loss for each institution at the close of FY17 and FY18.

	Balance 7/1/16	\$ 10,666,838
	Projected	
Utilization	FY17	FY18
UMM (FY16 Carry Forward)	(675,000)	-
UMPI	(300,000)	-
Law School	(310,931)	(275,320)
Investment gain/loss	TBD	-
Subtotal	\$ (1,285,931)	\$ (275,320)
	Projected Balance	\$ 9,105,587

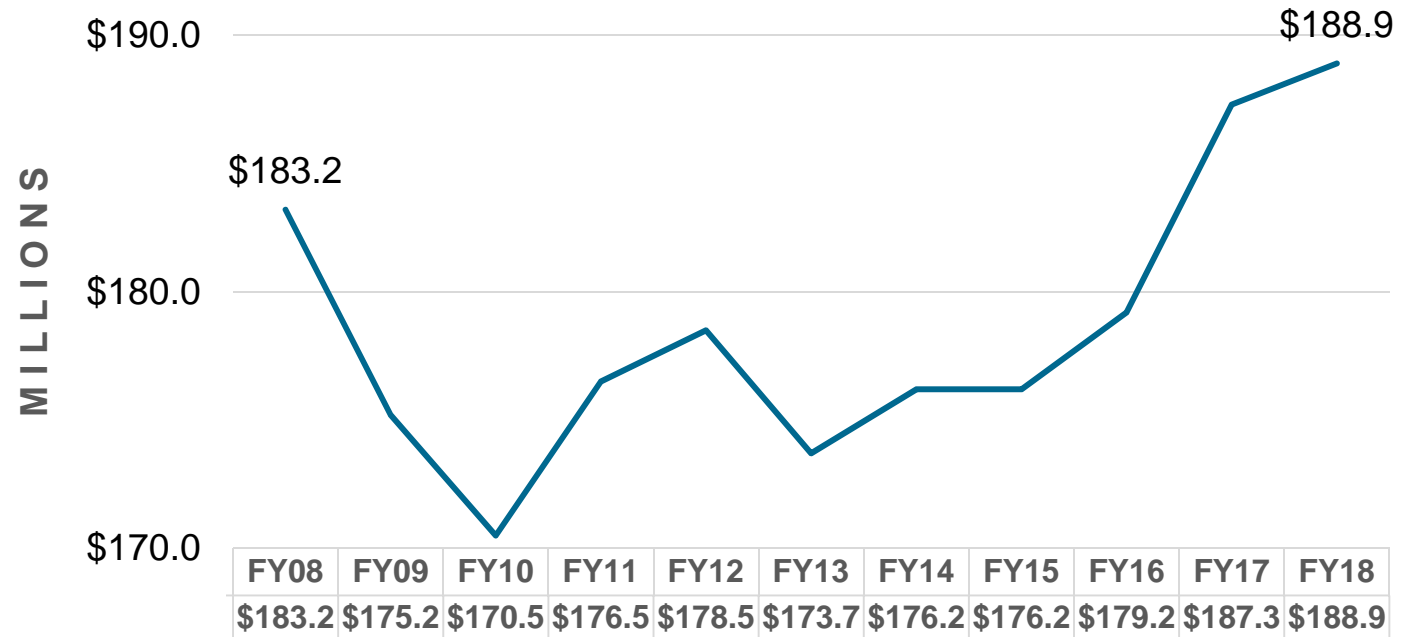
# Appropriation

- FY18 budgets are based on an annual \$1.65M increase in E&G state appropriation per the Governor's FY2018-19 biennial budget request plus the continuance of a \$4.65M FY17 supplemental budget request by the Governor in lieu of an FY17 in-state, undergraduate tuition and unified fee increase.

- \$1.65M includes:

- \$500K – Early College
- \$400K – UMCES Animal & Plant Disease & Insect Control Laboratory
- \$750K – New Funds
  - 30% Administrative Savings (\$225K)
  - 70% Distributed through Outcomes Based Funding (\$525K)

E&G Appropriation  
(excluding debt service)

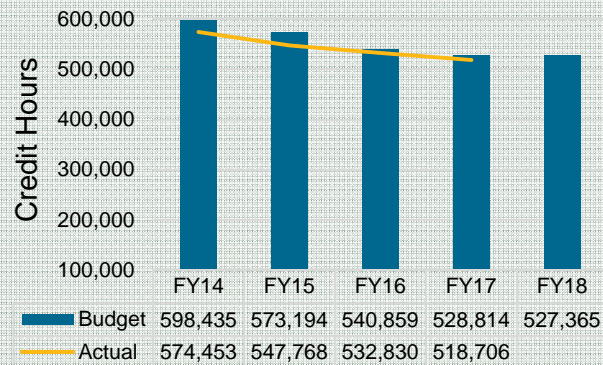


- Campus budgets reflect allocating 25% of the campus appropriation through the Outcomes Based Funding formula.
- The State of Maine 2018-19 biennial budget request also includes the second year of \$2.5M in debt service funding to support a 9-year revenue bond that would allow the University to leverage \$22M for infrastructure improvements. This appropriation is considered “restricted” and, therefore, not included in the unrestricted operating budget.

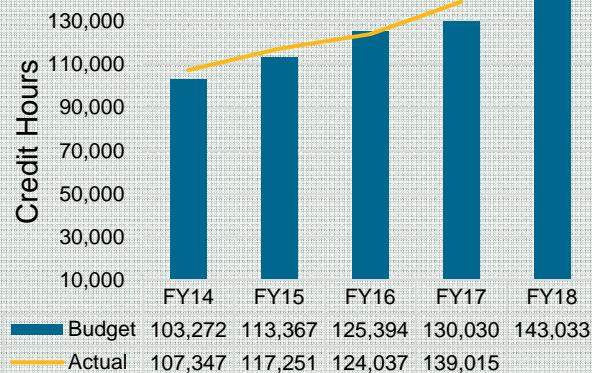


# Enrollment

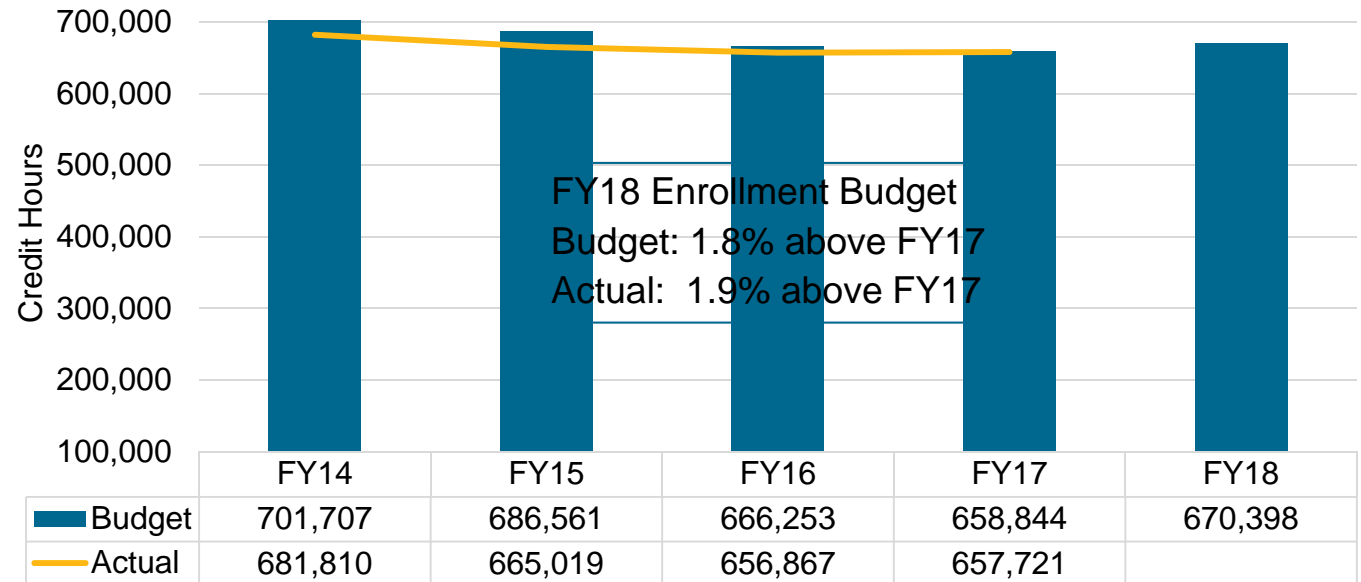
## In-State



## Out-of-State



## UMS Total Credit Hour Enrollment

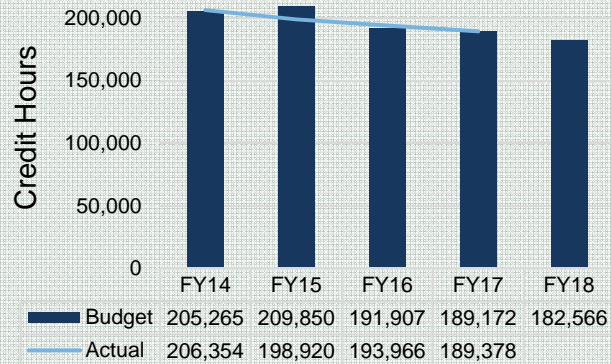


## Major factors impacting enrollment:

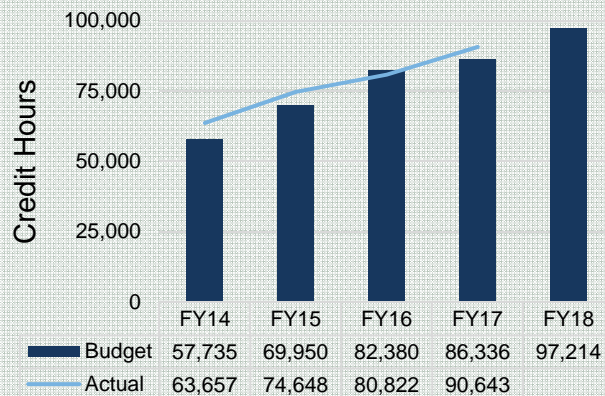
- FY18 credit hours are up 1.9% over FY17 actual credit hours.
- FY18 out-of-state budgeted credit hours are up 33% since FY14 actuals and represent 21% of the total credit hours.
- Maine public high school graduates will decline to approximately 12,000 through 2030.
- Approximately 54% of Maine high school students enroll in college; UMS share historically is 30-33% (or 18% of an entire graduating class).

# Enrollment

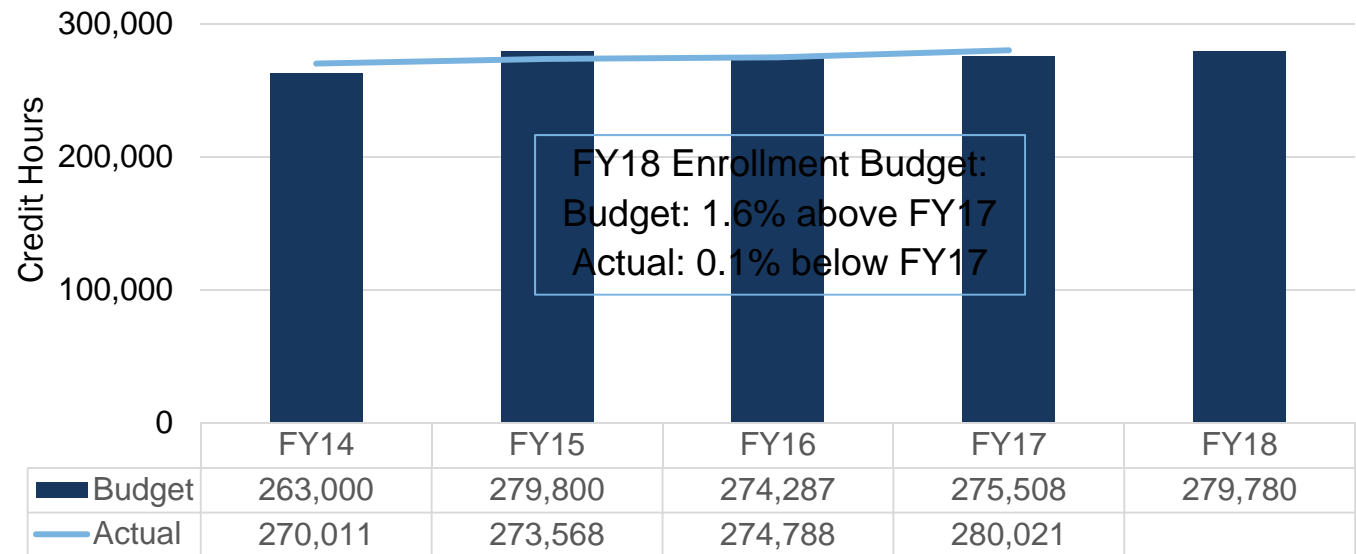
## In-State



## Out-of-State



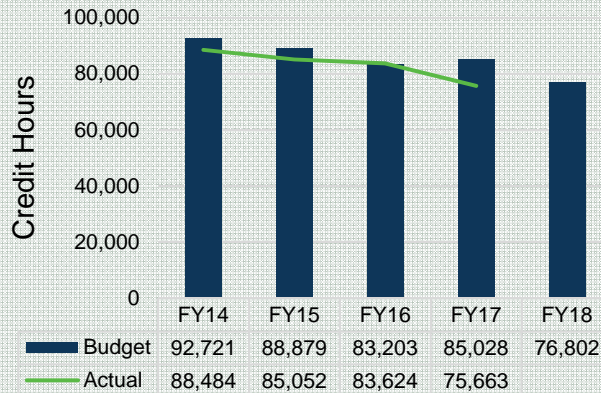
## Total Credit Hour Enrollment



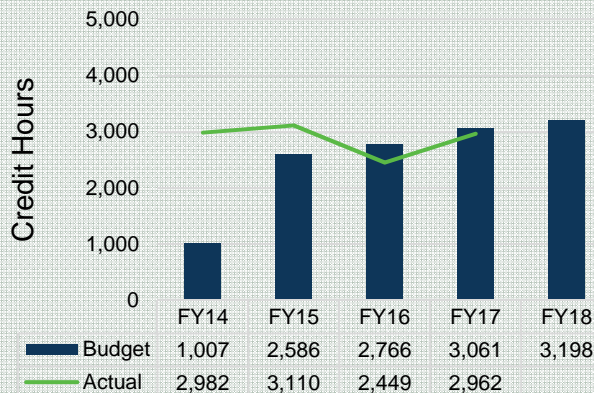


# Enrollment

## In-State

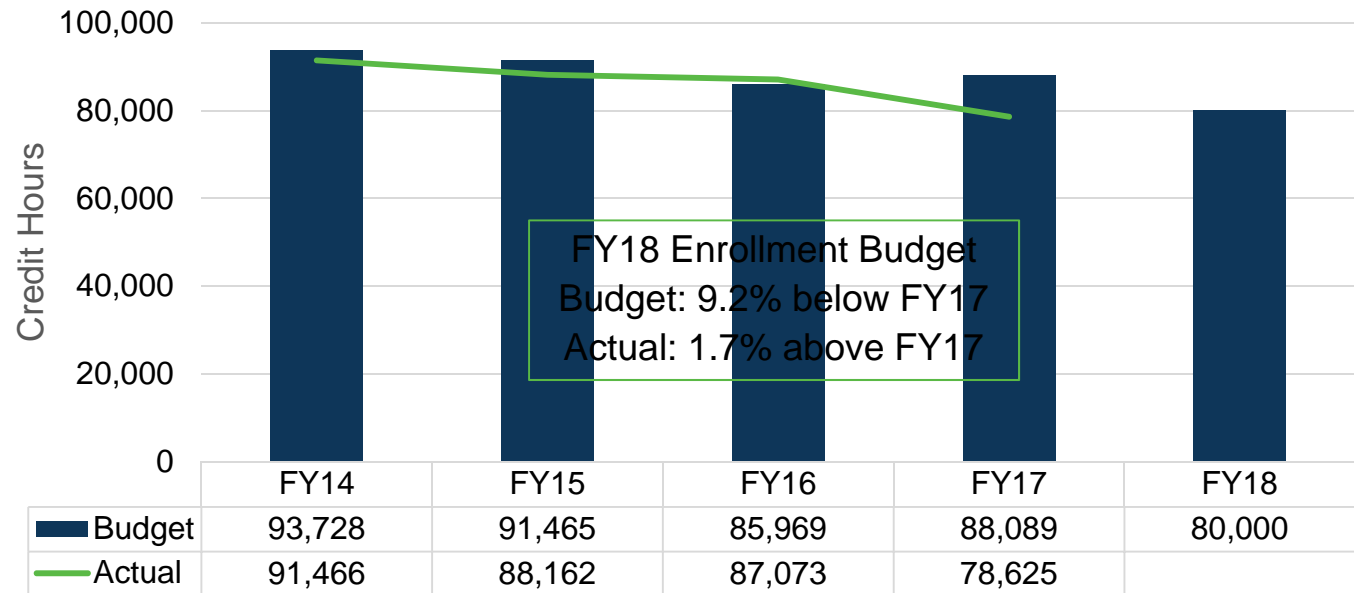


## Out-of-State



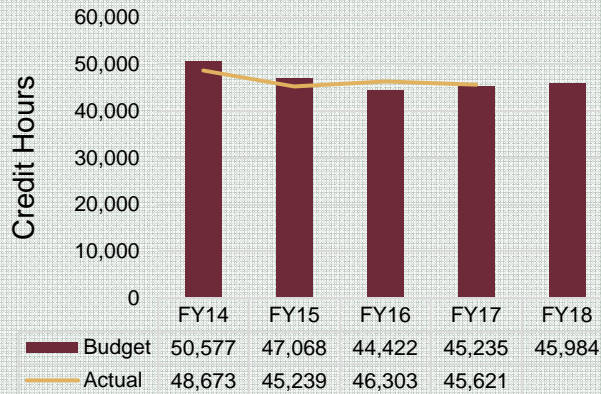
## UNIVERSITY of MAINE at AUGUSTA

## Total Credit Hour Enrollment

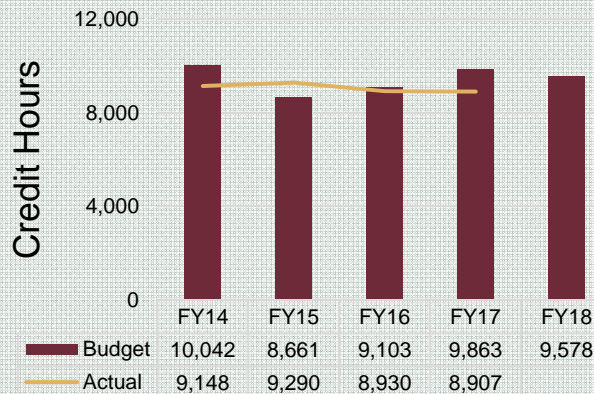


# Enrollment

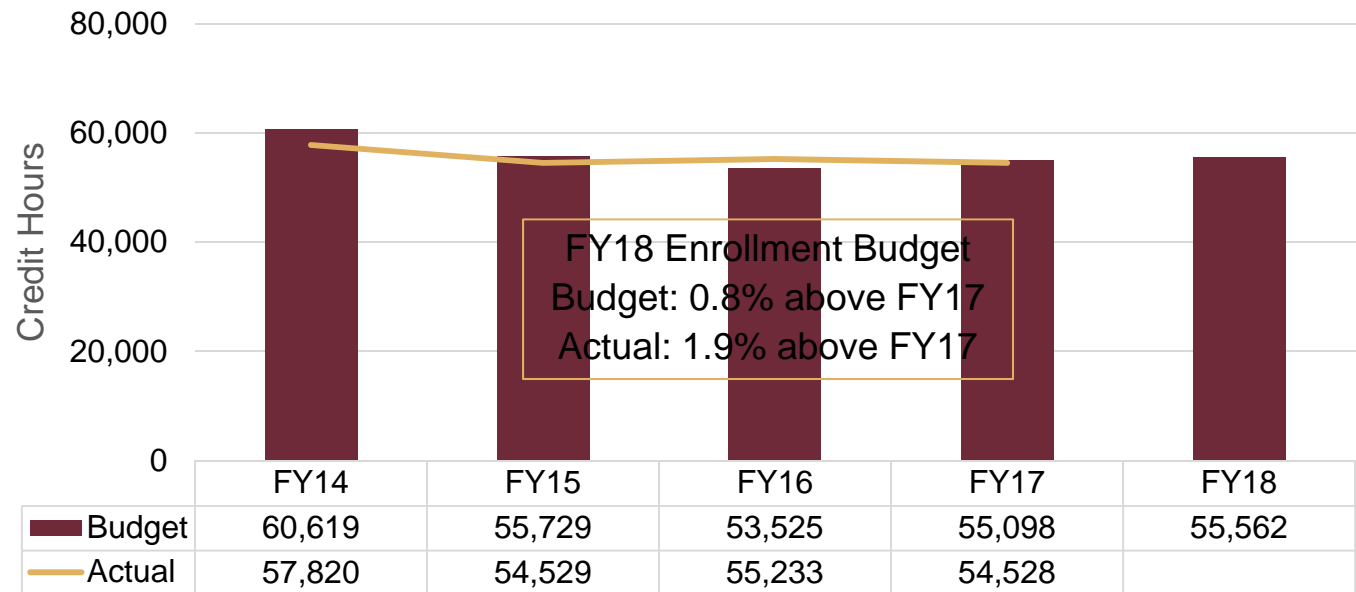
## In-State



## Out-of-State



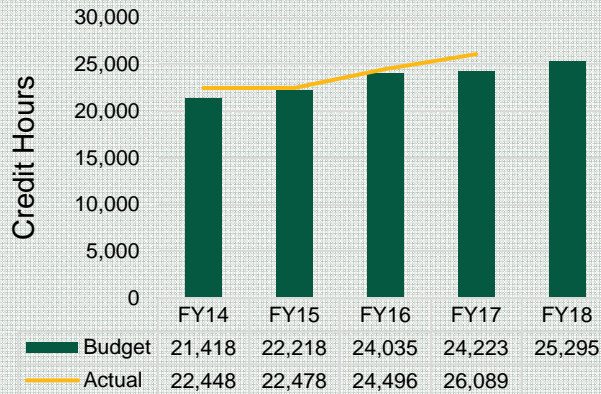
## Total Credit Hour Enrollment



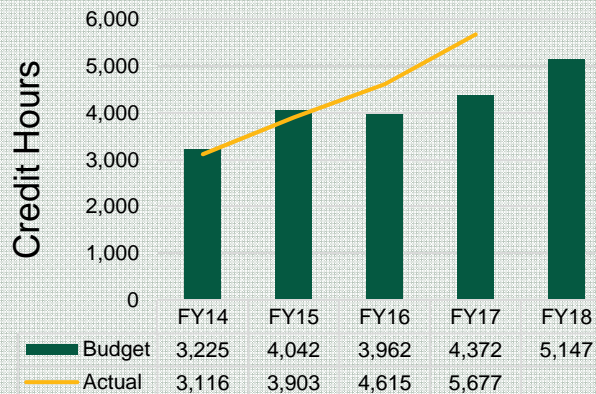


# Enrollment

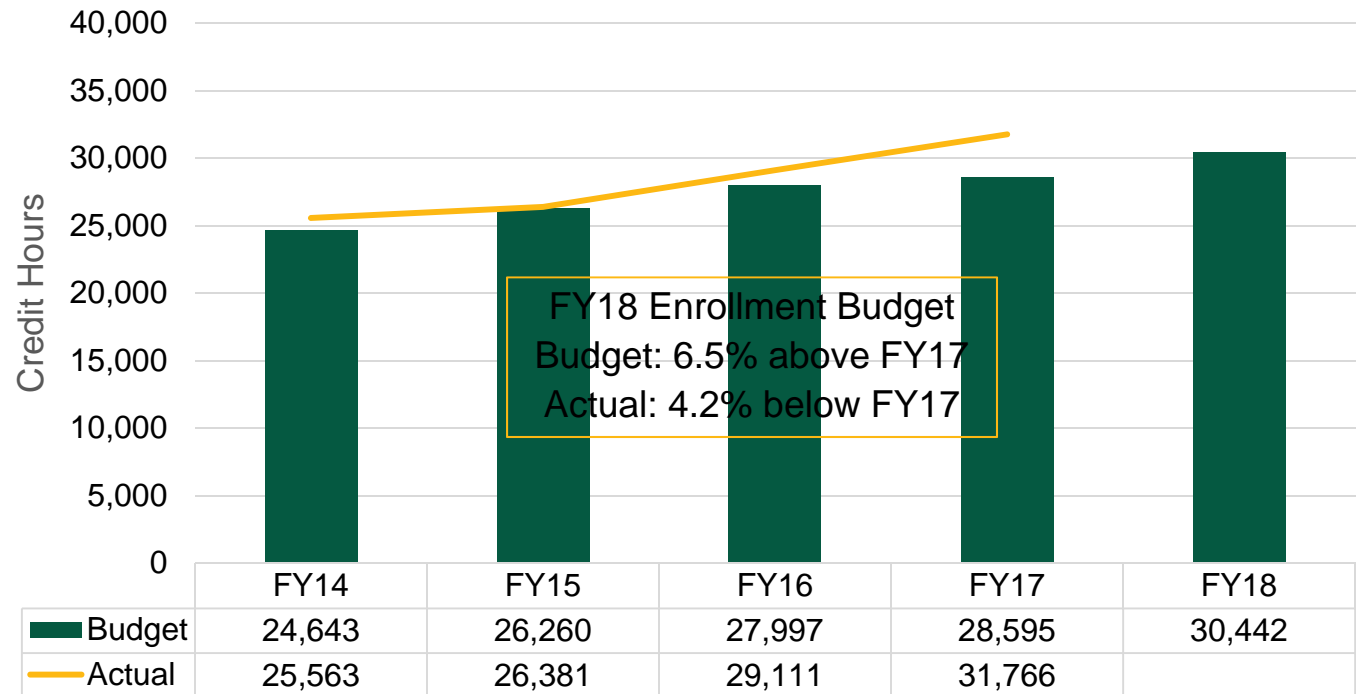
## In-State



## Out-of-State

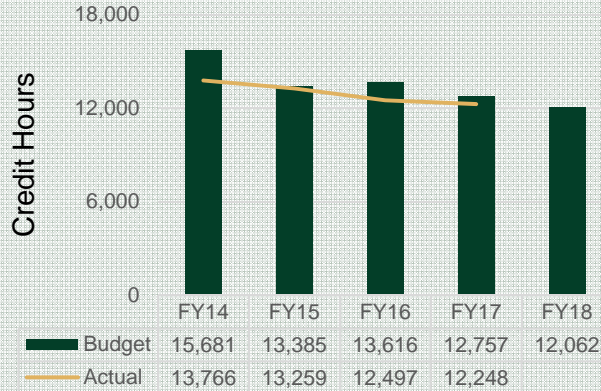


## Total Credit Hour Enrollment

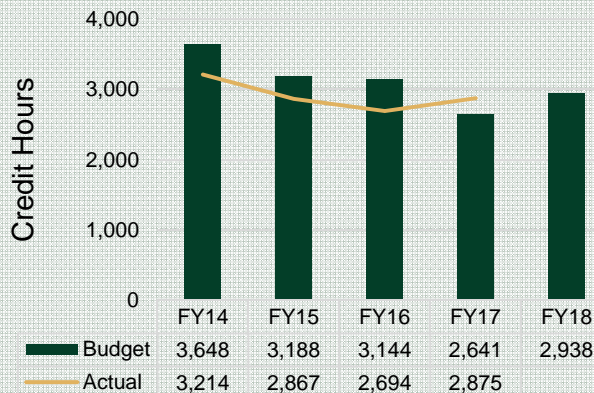


# Enrollment

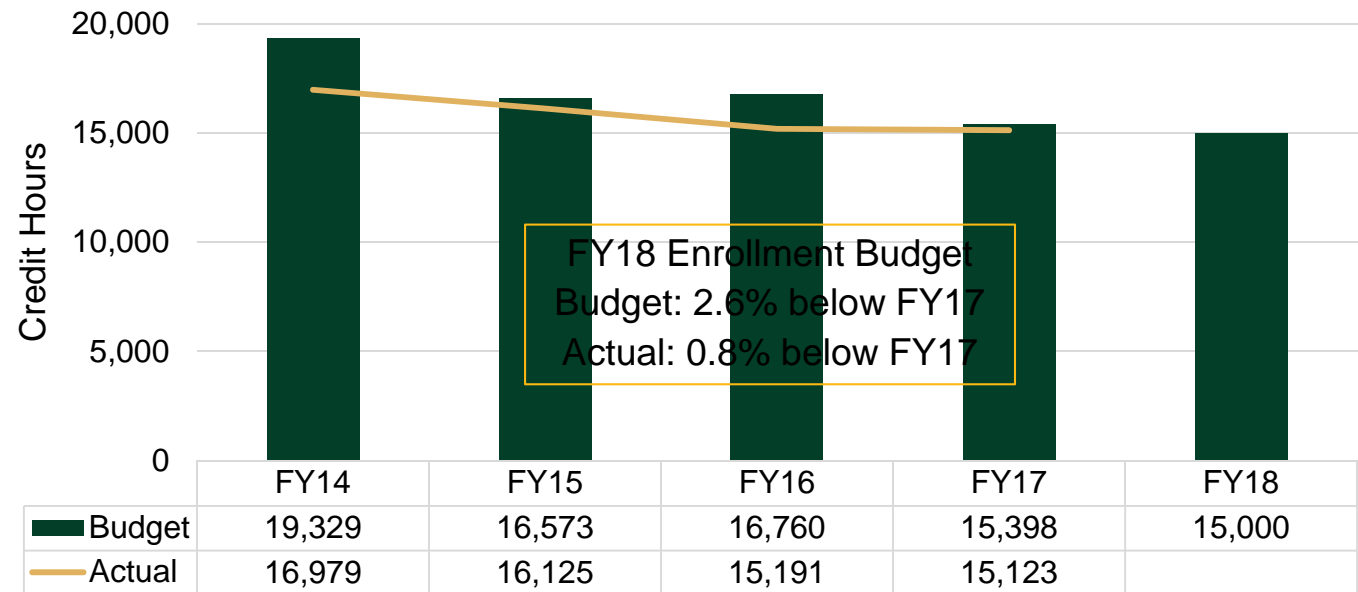
## In-State



## Out-of-State



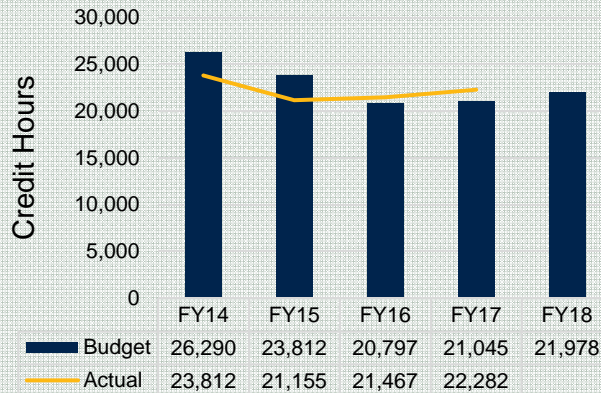
## Total Credit Hour Enrollment



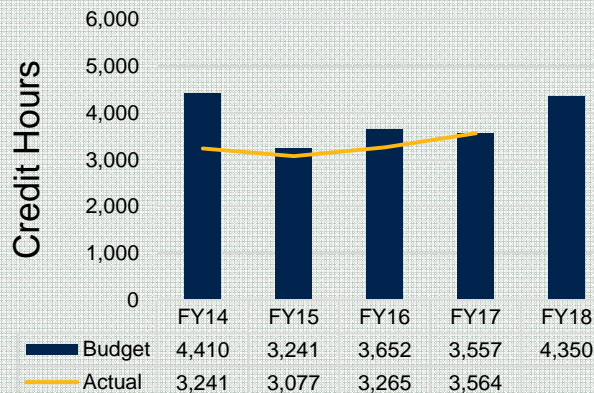


# Enrollment

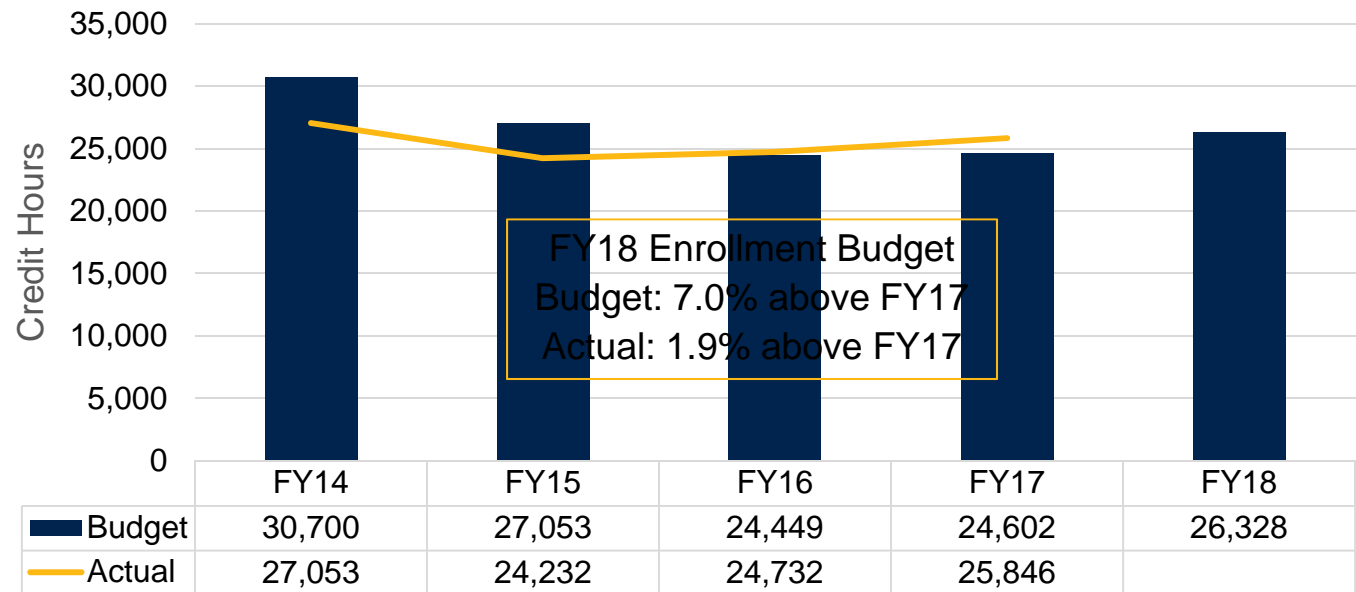
## In-State



## Out-of-State

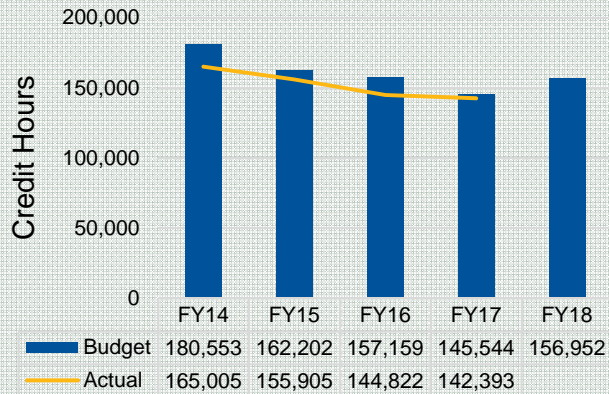


## Total Credit Hour Enrollment

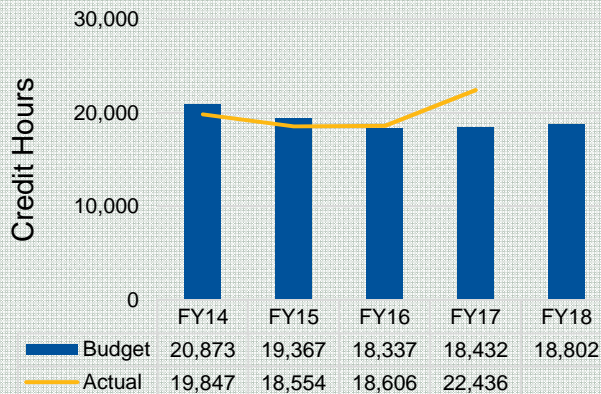


# Enrollment

## In-State

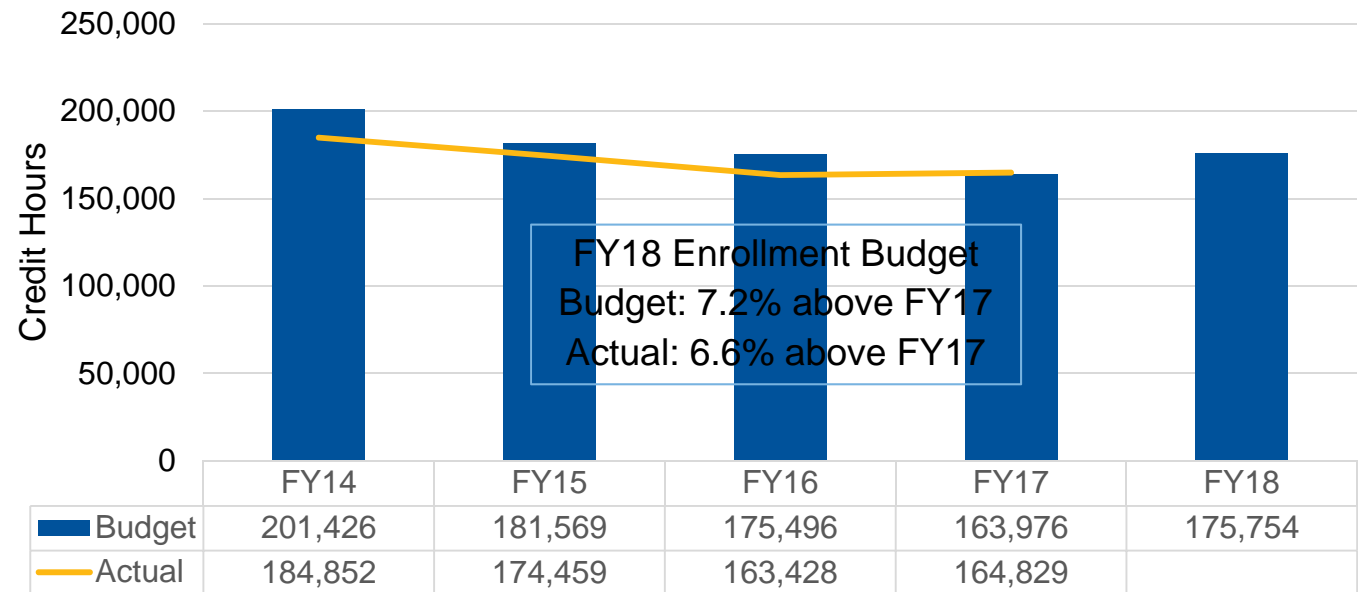


## Out-of-State



UNIVERSITY OF  
SOUTHERN MAINE

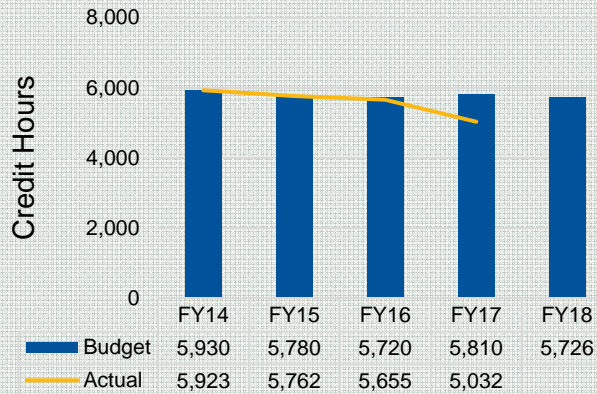
## Total Credit Hour Enrollment



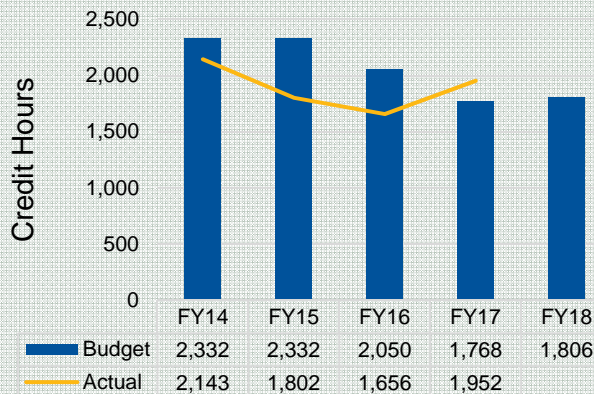


# Enrollment

## In-State

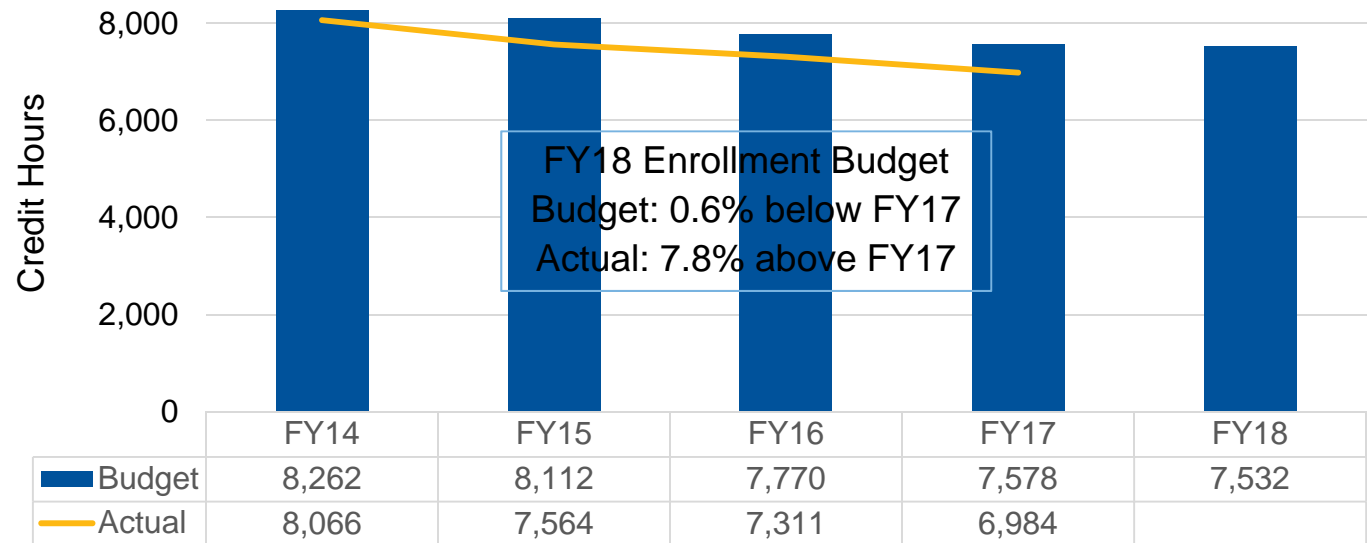


## Out-of-State



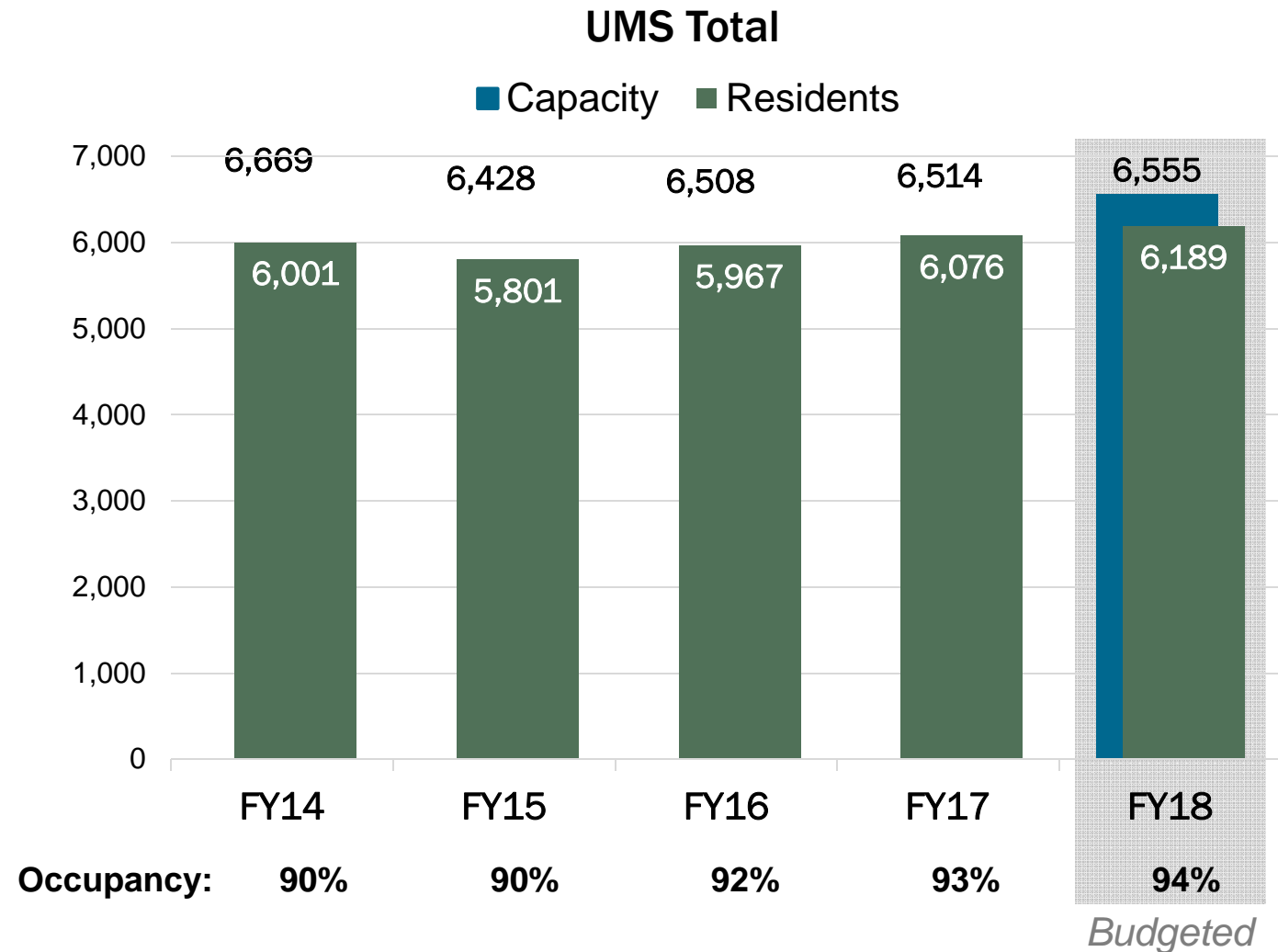
## MAINE UNIVERSITY OF MAINE SCHOOL OF LAW LAW

## Total Credit Hour Enrollment



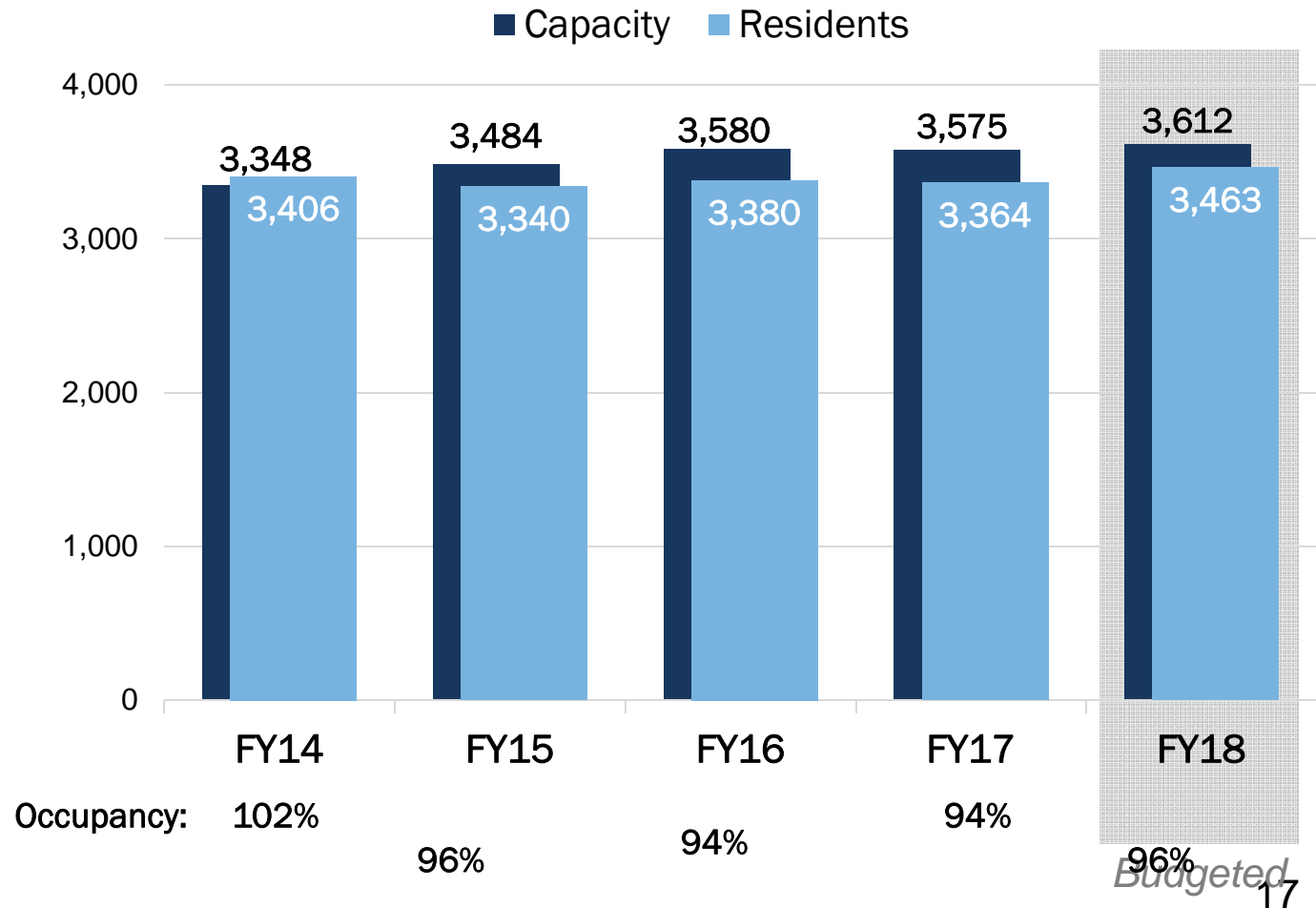
# Residence Hall Occupancy

- UMS FY18 Occupancy Rate is 94% and ranges from 97% at UMFK & USM to 77% at UMM.
- Residence Hall occupancy is flat or slightly up at 4 of the 6 campuses with residential operations.
- Excluding UMaine, excess capacity at the remaining 5 campuses with residential operations has been reduced from 726 in FY14 to 217 in FY18, a reduction of 590 beds (70%).

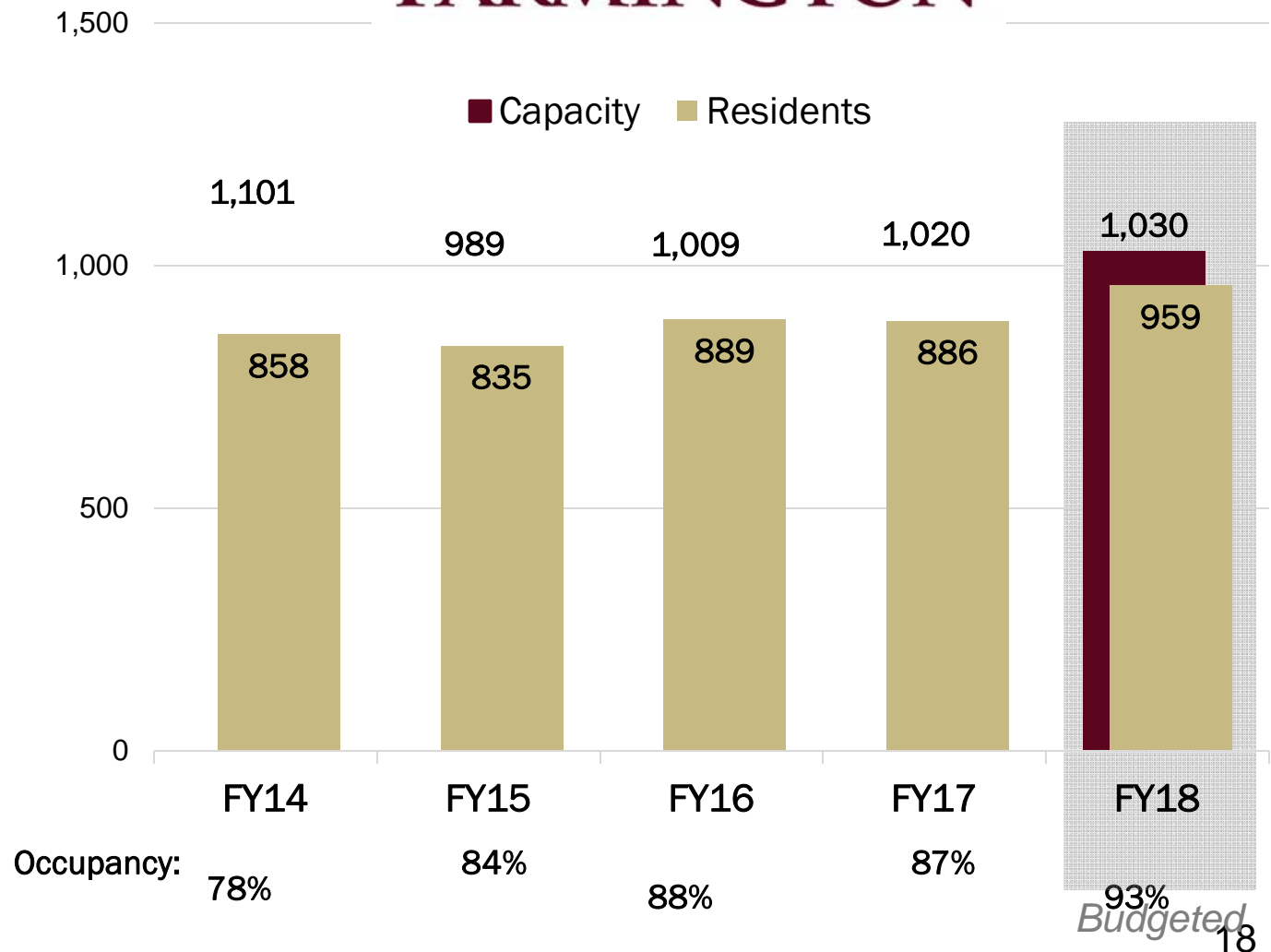




# Residence Hall Occupancy

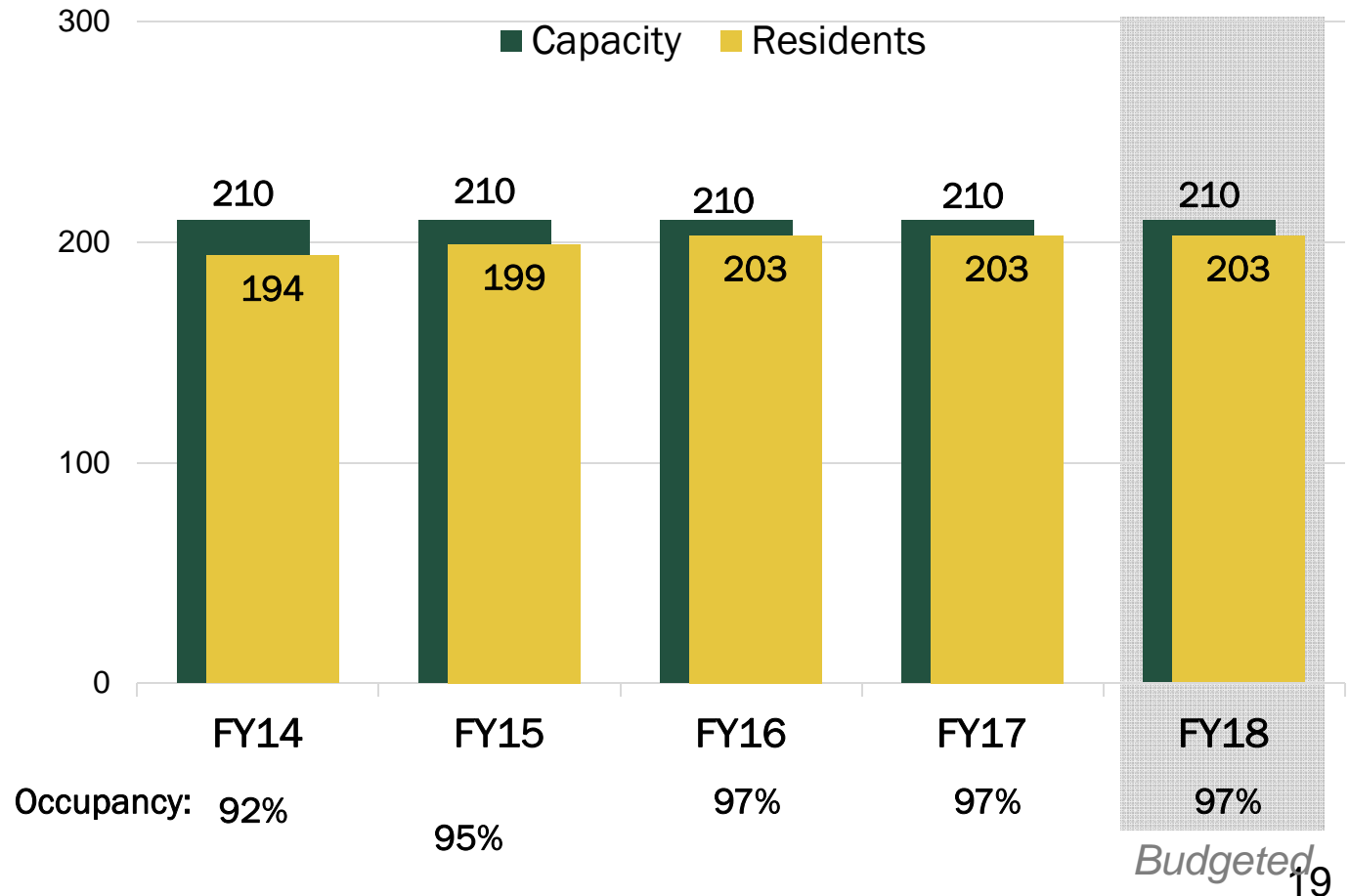


# Residence Hall Occupancy

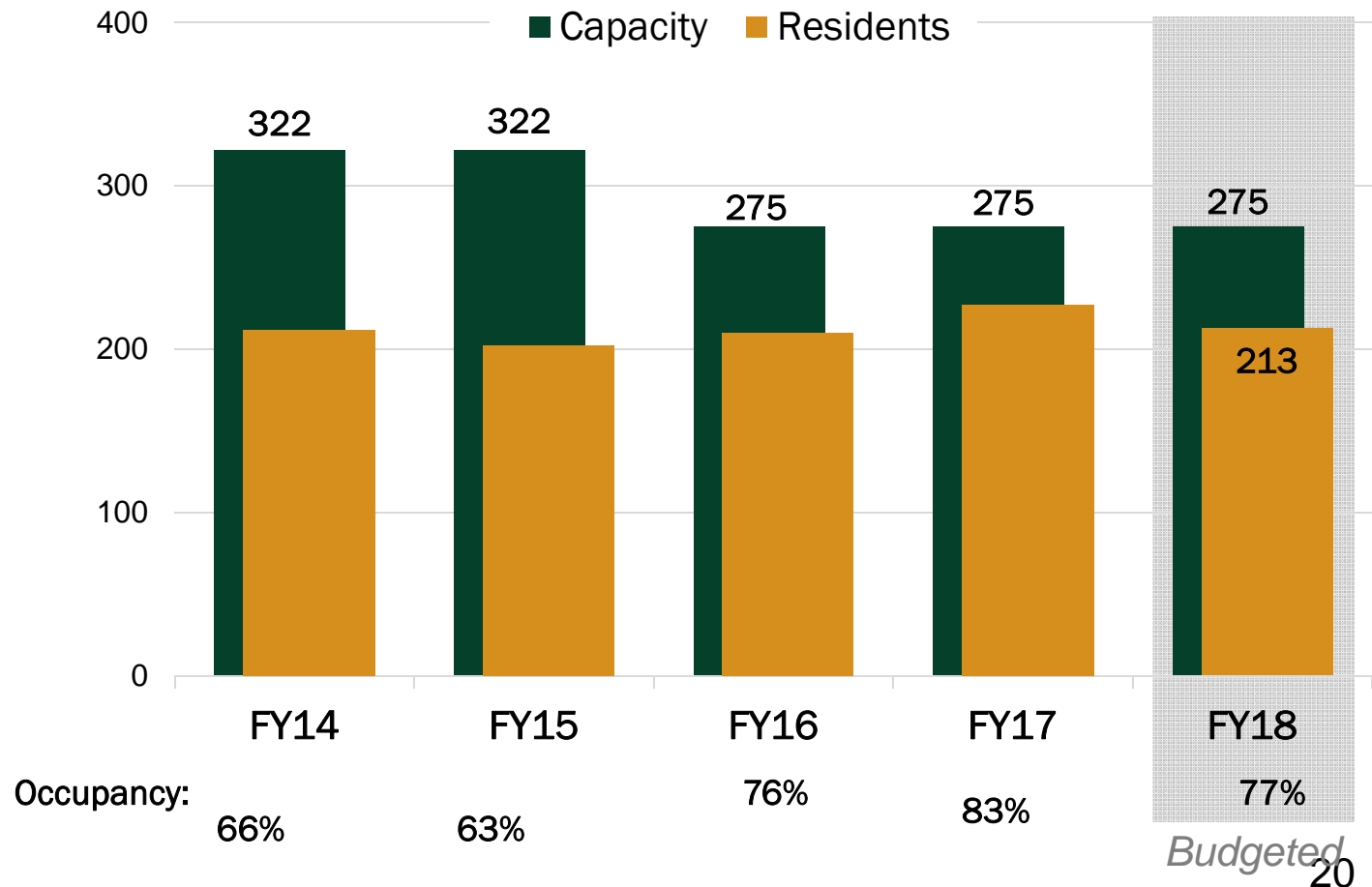




# Residence Hall Occupancy

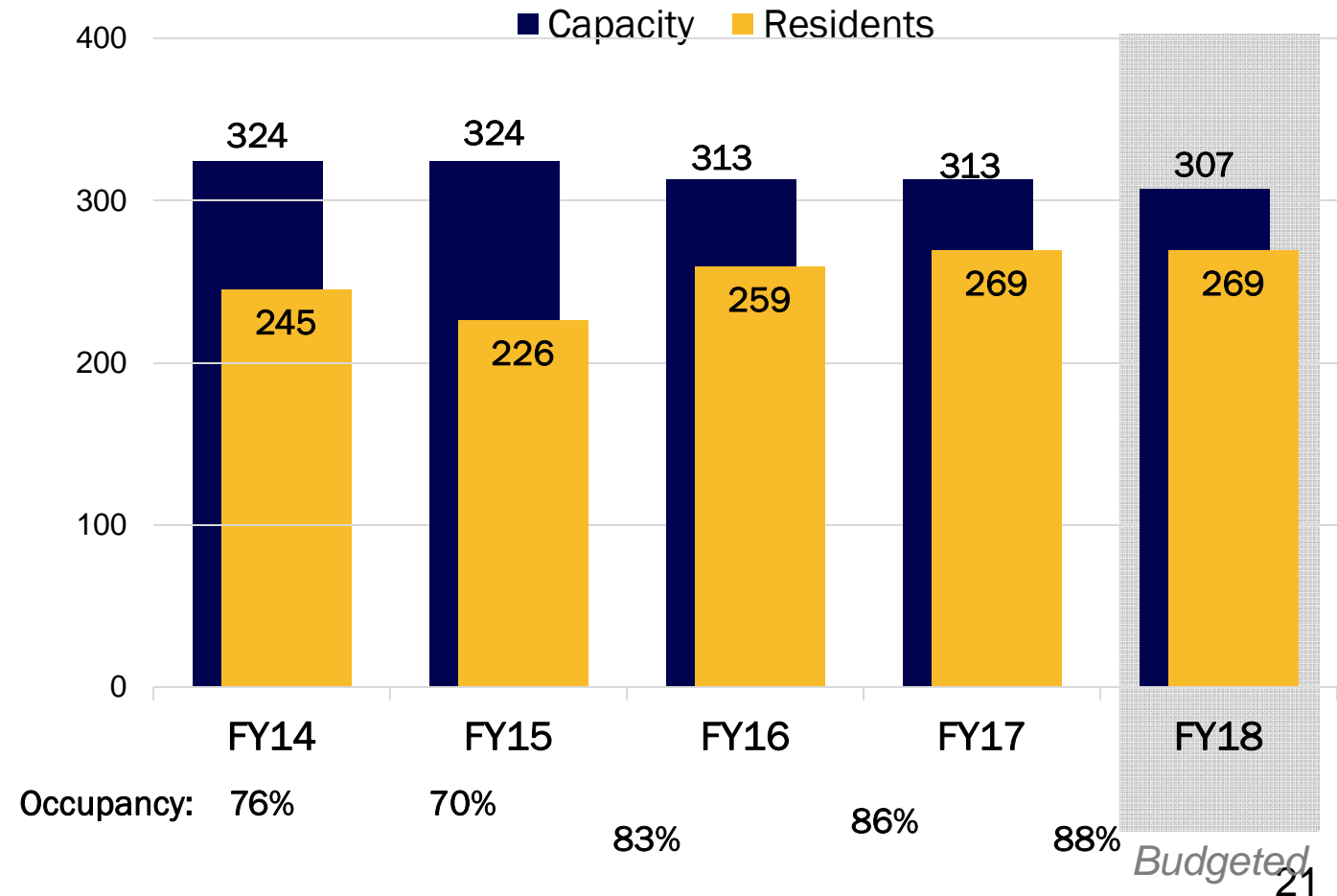


# Residence Hall Occupancy





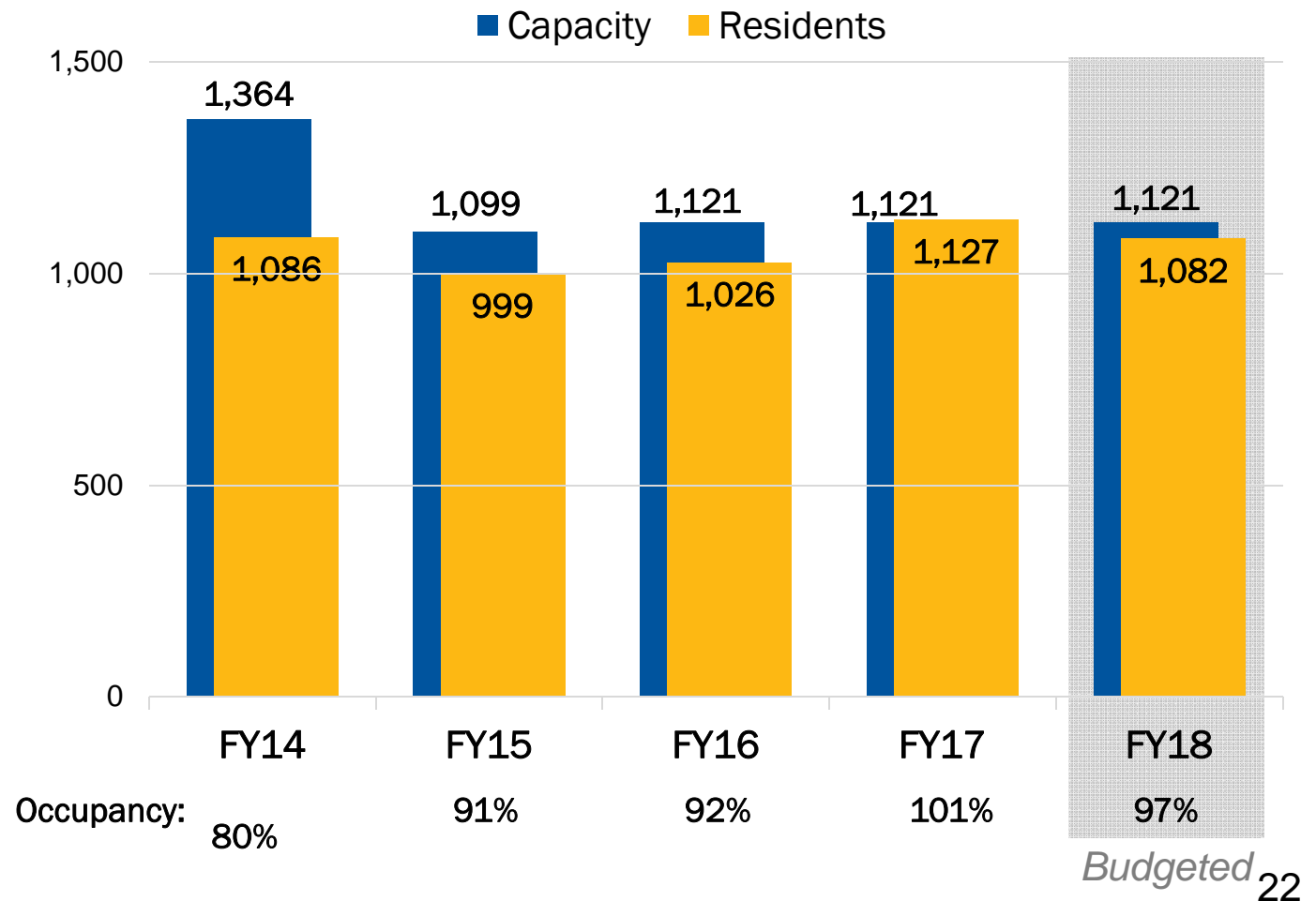
# Residence Hall Occupancy



# Residence Hall Occupancy



UNIVERSITY OF  
SOUTHERN MAINE





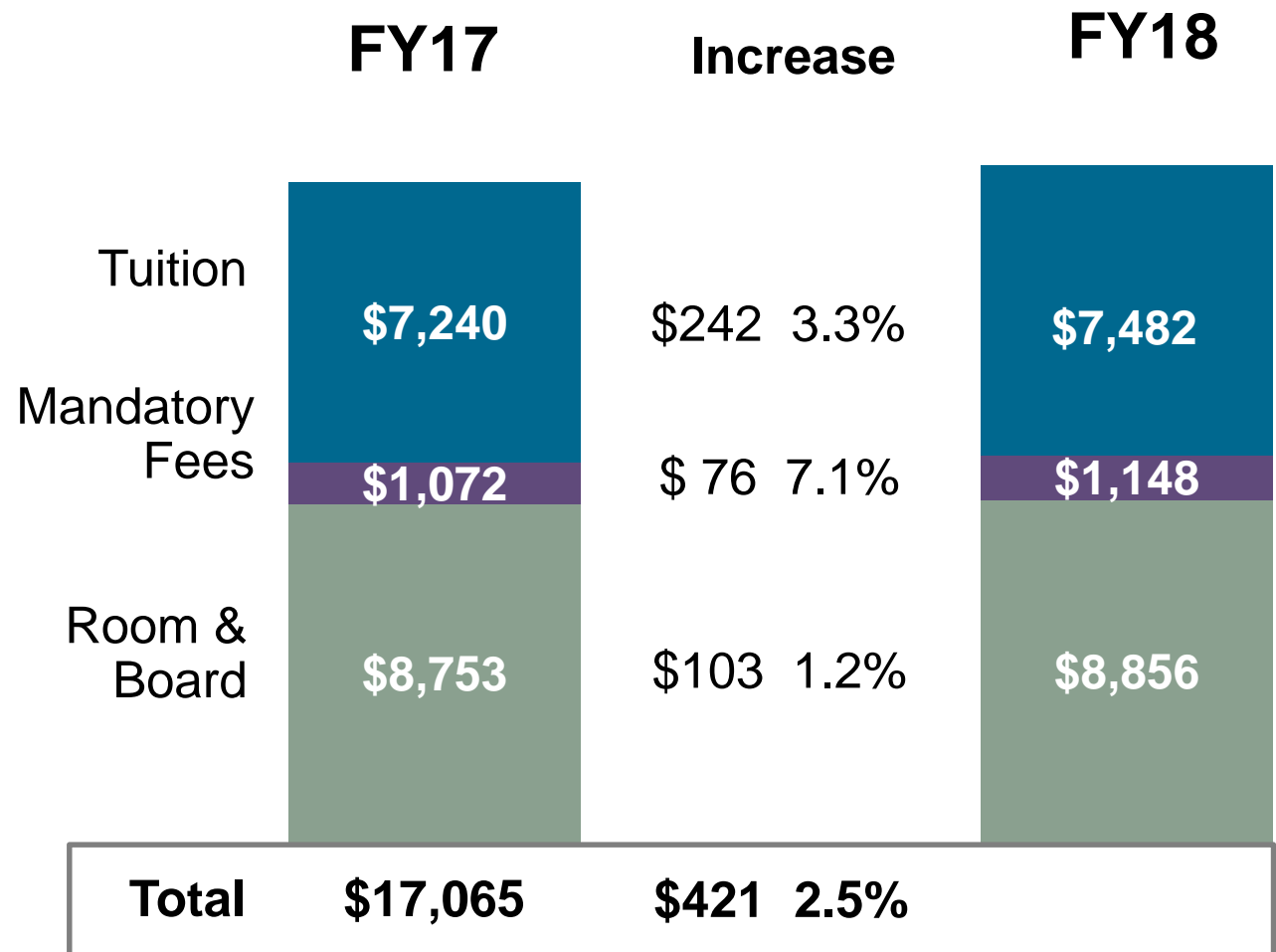
# FY18 Recommended In-State Tuition Rates

- First tuition & Unified Fee increase since FY12.
- 2.6% in-state, undergraduate tuition & Unified Fee increase (based on CPI).
- Additional tuition increases at UMA, UMFK, UMPI, & USM due to partial implementation of the new Unified Budget Pricing Structure.

		FY17 Rate/CH	FY18 Proposed Rate/CH	FY 18 Proposed Increases	
				\$	%
Undergraduate	UMaine	\$279	\$286	\$7	2.5%
	UMA	\$217	\$228	\$11	5.1%
	UMF	\$261	\$268	\$7	2.7%
	UMFK	\$220	\$228	\$8	3.6%
	UMM	\$222	\$228	\$6	2.7%
	UMPI	\$220	\$228	\$8	3.6%
	USM	\$253	\$262	\$9	3.6%
Graduate	UMaine	\$418	\$429	\$11	2.6%
	UMF	\$379	\$389	\$10	2.6%
	USM	\$380	\$393	\$13	3.4%
Law	Law	\$743	\$743	\$0	0%

# In-State Undergraduate Average Costs

- 2.6% increase in the Unified Fee (based on CPI).
- Additional Unified Fee increases at UMFK & UMPI from implementation of Unified Budget Pricing Structure.
- Student activity fees increasing at UMaine and UMPI (student approved).
- Room rates increasing at UMPI; room & board increasing at UMaine and UMF.



**\$17,486**



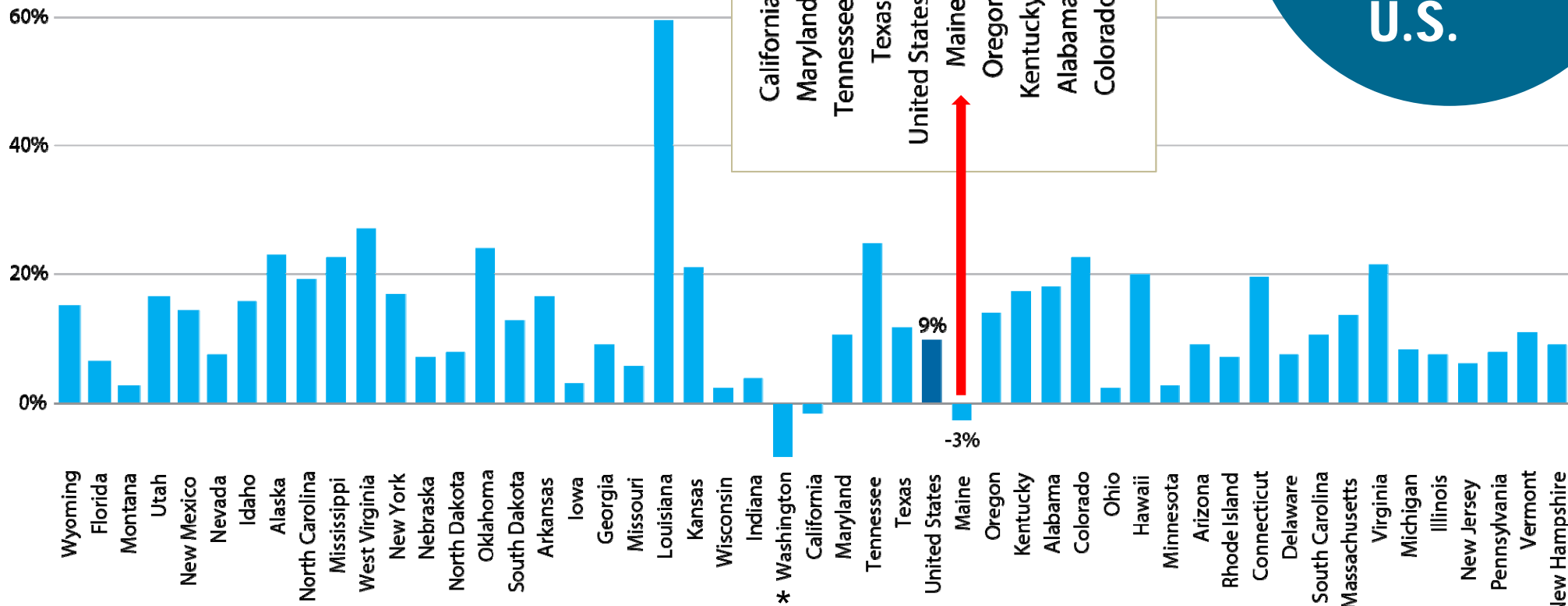
# 2016-17 Average Annual Tuition Growth Rates

## Tuition and Fees by State — Public Four-Year In-State

Adjusted for inflation

Source: College Board, Trends in Pricing 2016

Five-Year Percentage Change in  
In-State Tuition and Fees

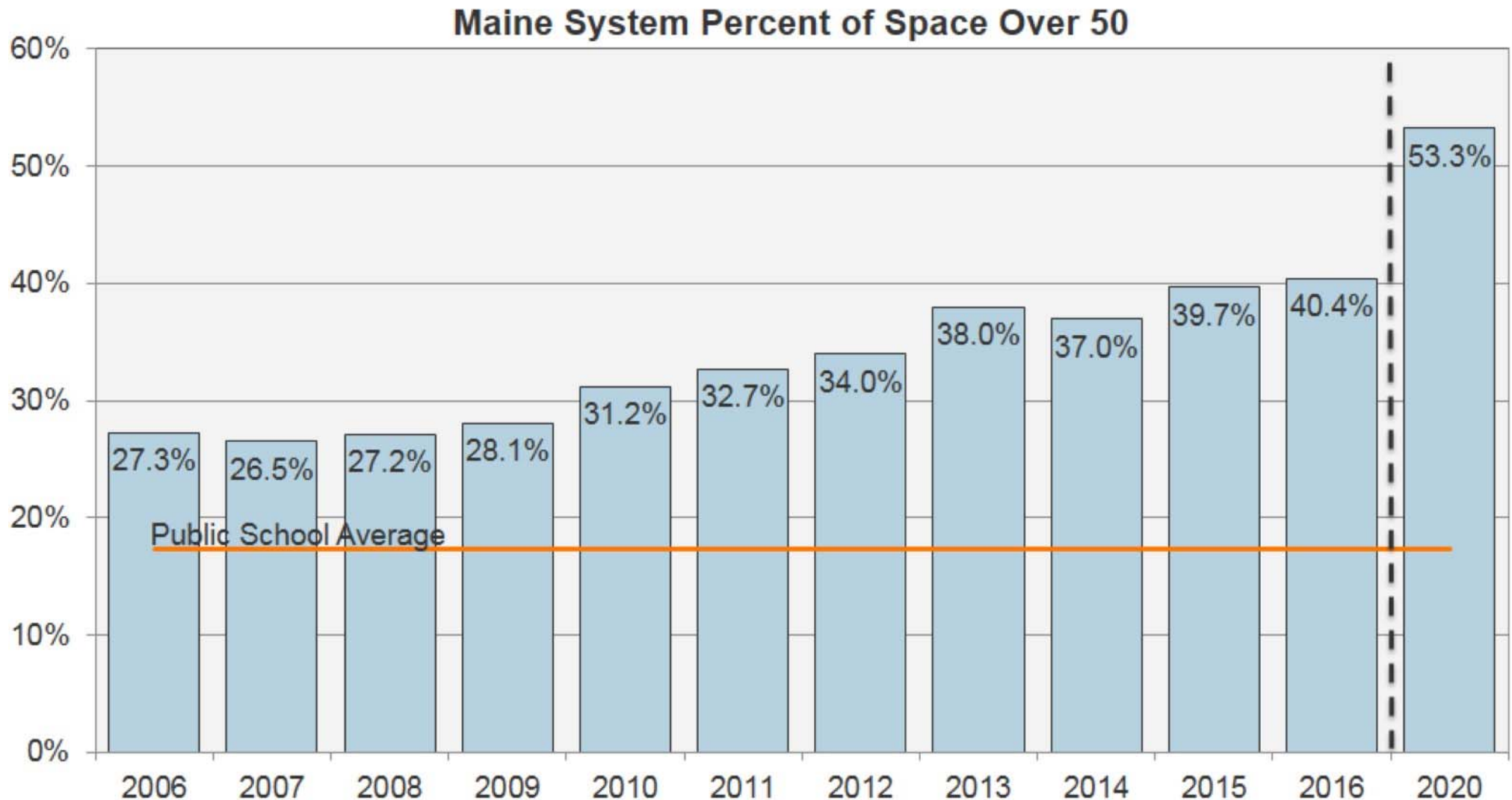


\*The Washington State Legislature increased higher education spending by nearly \$200 million to cut four-year tuition 15 to 20 percent in 2016-2017.

2<sup>nd</sup>  
Largest  
Decline  
in the  
U.S.

# Aging Infrastructure

**By 2020 53% of space will be over 50 years old**

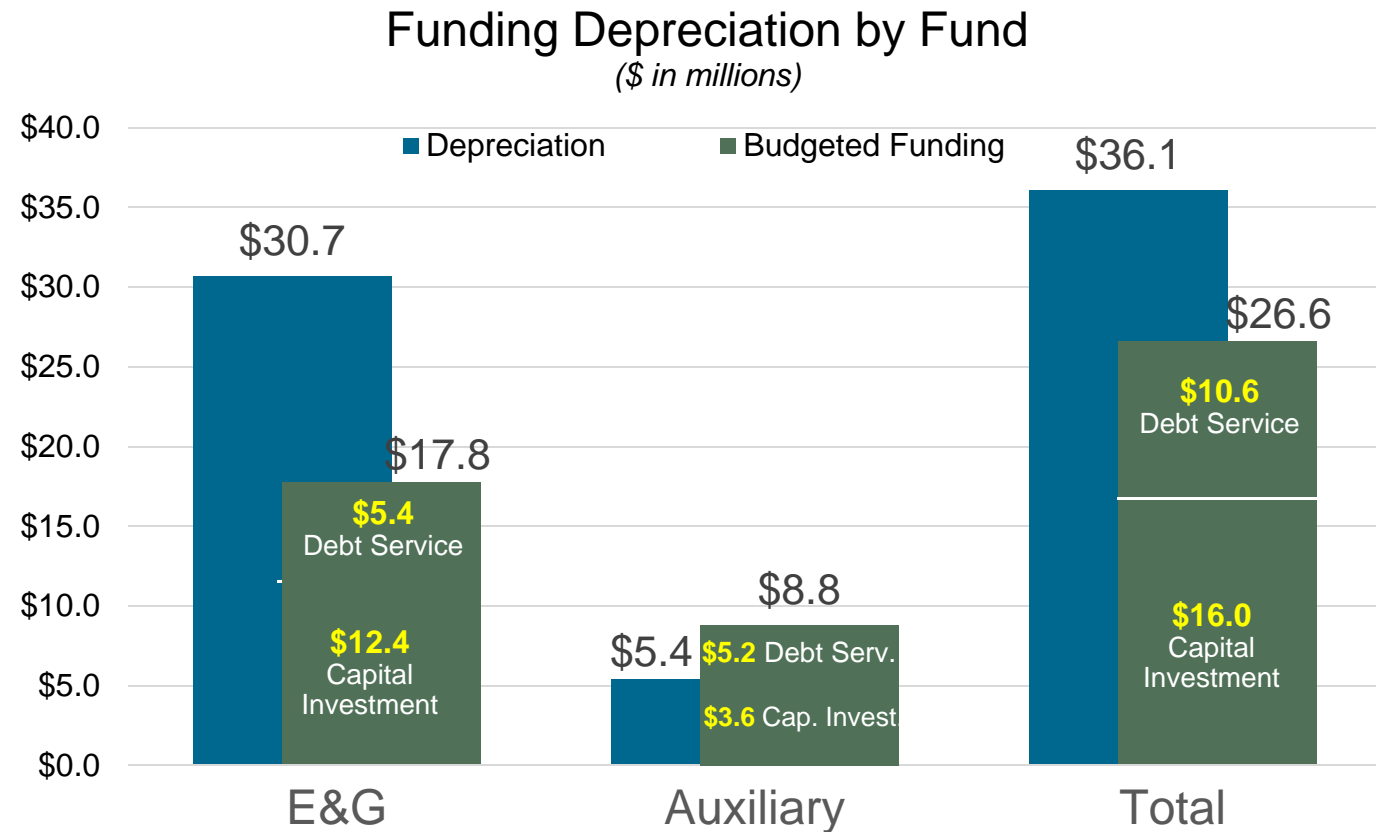


FY20 is calculated as campus is today, with no changes to the space profile



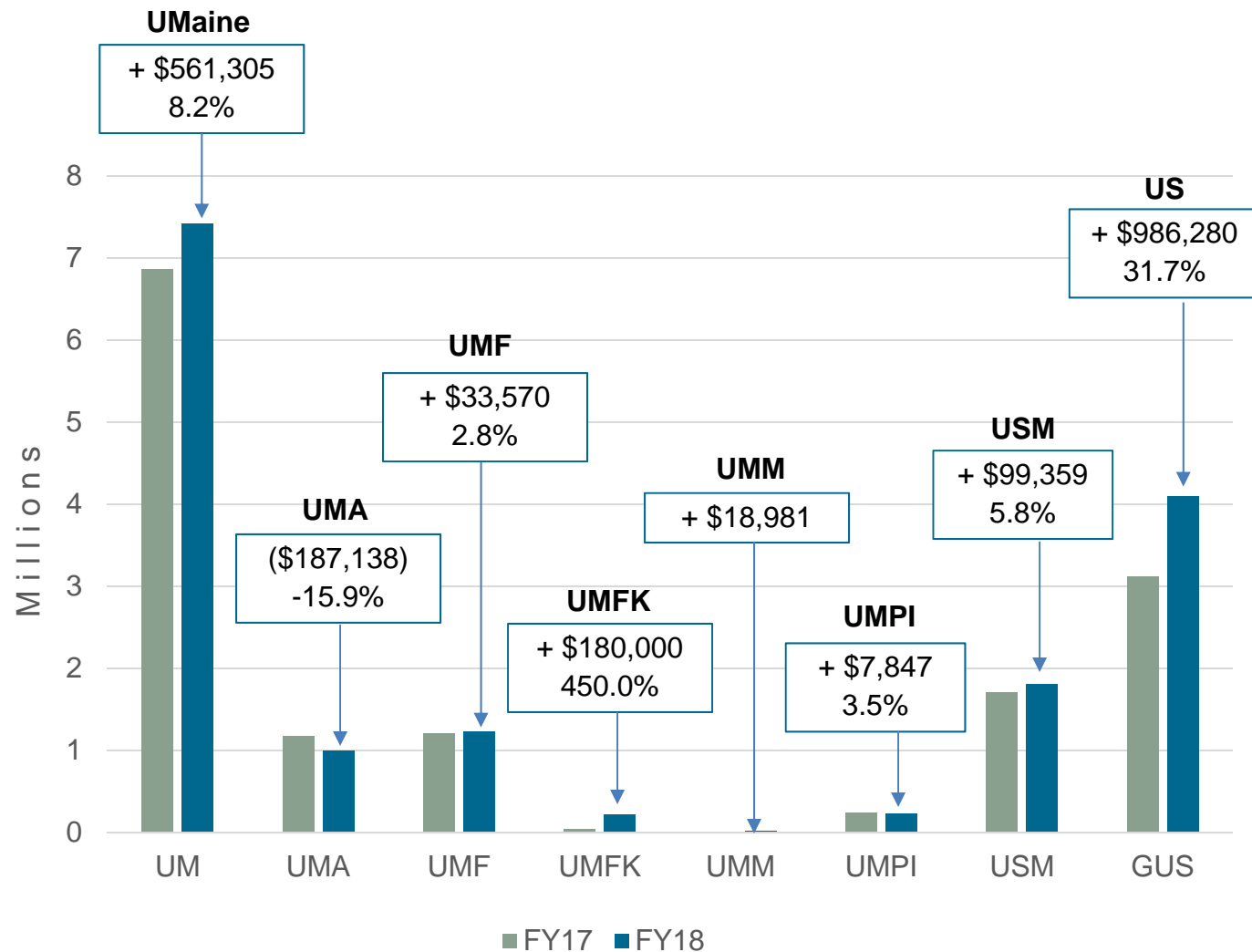
# Funding Depreciation

- Depreciation expense increased from \$33.4M in FY17 to \$36.1M in FY18 (\$2.7M).
- 74% of the total depreciation expense is funded in the FY18 budget – same % as the FY17 budget.
- To maintain the 74% funding level, \$1.8M more is being expended in FY18.



# Capital Investments

- Budget Parameters – increase Capital Investments by 3.5%.
- E&G and Auxiliary budgeted capital investment is \$16.0M - an increase of \$1.7M (11.9%).
- UMA's investments reduced due to overall operating budget deficit.
- UMM budgeted \$0 in FY17 but \$18,981 in FY18.





# Capital Investments from Operations

	Facilities	Equipment & Vehicles	Projects to be determined during FY18	Capital Reserve Deposit (to be utilized in FY19 or after)	Total Investment
UMAINE	\$ 2,122,233	\$ 1,846,027	\$ 2,100,000	\$ 1,354,055	\$ 7,422,315
UMA	952,548	39,679	-	-	992,227
UMF	-	244,700	-	992,699	1,237,399
UMFK	200,000	20,000	-	-	220,000
UMM	-	18,981	-	-	18,981
UMPI	232,047	-	-	-	232,047
USM	1,558,500	254,406	-	-	1,812,906
US	-	1,034,300	-	3,067,317 *	4,101,617
<b>TOTAL</b>	<b>\$ 5,065,328</b>	<b>\$ 3,458,093</b>	<b>\$ 2,100,000</b>	<b>\$ 5,414,071</b>	<b>\$ 16,037,492</b>

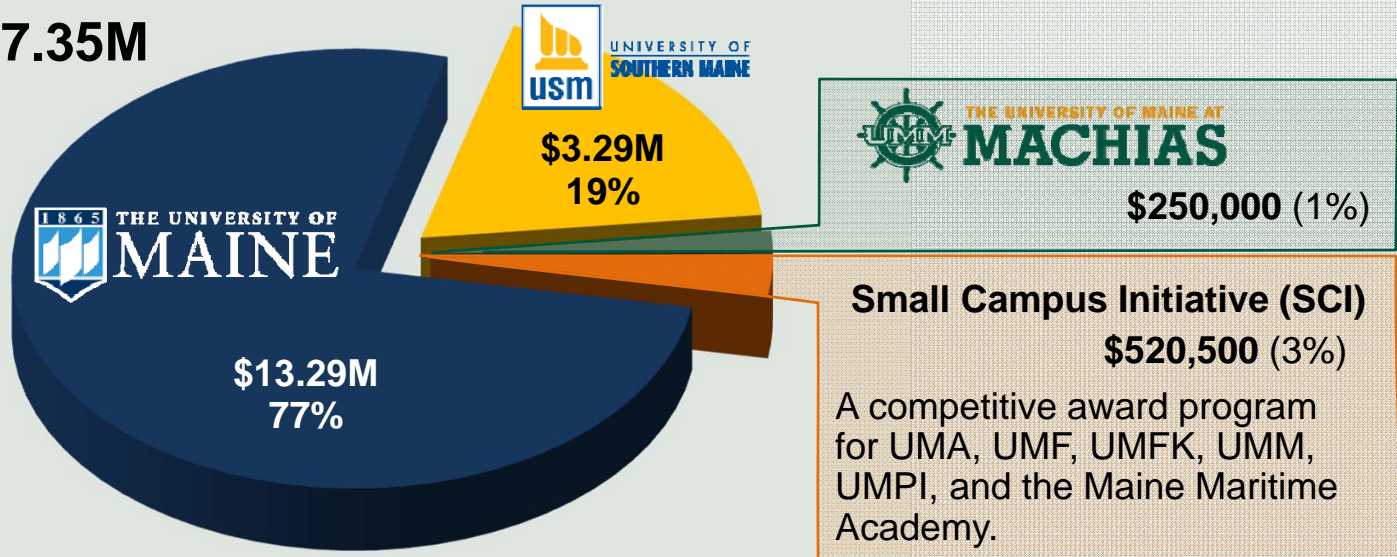
\*Pending Investment Income Return

- FY18 budgeted transfers from E&G and Auxiliary to Capital Investments total \$16.0 million

# MEIF

	UMaine	USM	UMM	SCI	Total
Biotechnology	995,565	89,913			1,085,478
Aquaculture & Marine	3,046,875	412,720	250,000		3,709,595
Composite Materials	2,064,300	220,000			2,284,300
Environmental	1,178,699	123,070			1,301,769
Forestry & Agriculture	1,595,386	595,177			2,190,563
Information Technology	1,963,483	779,826			2,743,309
Precision Manufacturing	1,465,789	110,000			1,575,789
Cross Sector	979,097	959,600			1,938,697
Small Campus Initiative				520,500	520,500
<b>Total</b>	<b>13,289,194</b>	<b>3,290,306</b>	<b>250,000</b>	<b>520,500</b>	<b>17,350,000</b>

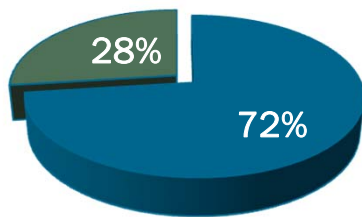
**\$17.35M**





# Compensation & Benefits

## Compensation & Benefits



E&G Budget

Compensation & Benefits continues to be the single largest cost driver representing 72% of the E&G budget or 66% of the overall unrestricted operating budget.

The FY18 internal benefit is increasing to 53% - up from 52.4% in FY17.

## Medical Costs



Medical costs are currently forecast to increase 4.5% for calendar year 2017. This is the result of the revised contribution strategy included in the current bargaining contracts, a reduced number of covered lives, and plan design changes.

## Employee Benefit Reserve



The Employee Benefit Reserve had \$10.6 million at the end of FY16. It is recommended that reserve levels for self-insured health benefit programs equal 3 to 6 months of benefit costs. For the UMS, this would be between \$17 - \$34 million.

# FY18 Budget Position Changes

	Faculty		Salaried		Hourly		Total
	Increases/ New Positions	Reductions/ Eliminations	Increases/ New Positions	Reductions/ Eliminations	Increases/ New Positions	Reductions/ Eliminations	
UMaine	13.5	(7.5)	3.1	(1.0)	-	-	8.1
UMA	2.0	(1.0)	4.4	(4.4)	2.0	(1.0)	2.0
UMF	3.0	(0.8)	4.0	(1.0)	-	(2.5)	2.7
UMFK	-	(1.0)	1.0	(3.0)	1.0	-	(2.0)
UMM	1.0	-	1.0	(2.0)	-	-	-
UMPI	-	(2.0)	-	(4.0)	-	-	(6.0)
USM	11.0	(8.5)	15.0	(7.6)	3.5	(4.0)	9.4
Gov.	-	-	1.0	-	-	-	1.0
*Univ Svs	-	-	21.0	(4.0)	1.0	(1.0)	17.0
Total	30.5	(20.8)	50.5	(27.0)	7.5	(7.5)	32.2

*\*Includes 19 positions approved in the State of IT Report*



# FY18 Proposed Budget: E&G

	FY17 Base	FY18 Proposed	\$ Change	% Change
<b>Revenue:</b> Tuition & Fee Revenue	\$ 275,318,450	\$ 297,511,943	\$ 22,193,493	8.1%
Tuition Waivers/Scholarships	(69,007,100)	(77,027,082)	(8,019,982)	11.6%
State Appropriation	187,270,534	188,920,534	1,650,000	0.9%
Misc/Sales/Services/Auxiliary	36,036,172	39,631,121	3,594,949	10.0%
<b>Total Revenue</b>	<b>429,618,056</b>	<b>449,036,516</b>	<b>19,418,460</b>	<b>4.5%</b>
<b>Expense:</b> Personnel Expense	321,830,936	334,172,248	12,341,312	3.8%
Fuel & Electricity	15,341,211	15,363,645	22,434	0.1%
Supplies & Services	26,337,108	29,156,577	2,819,469	10.7%
Travel	5,767,929	6,025,427	257,498	4.5%
Memberships, Contributions & Sponsorships	1,610,661	1,600,534	(10,127)	-0.6%
Maintenance & Alterations	10,670,283	10,905,404	235,121	2.2%
Interest Expense	2,072,264	1,929,130	(143,134)	-6.9%
Depreciation	28,439,018	30,728,899	2,289,881	8.1%
Other Expenses & Transfers	31,598,741	33,766,497	2,167,756	6.9%
<b>Total Expenses &amp; Transfers</b>	<b>443,668,151</b>	<b>463,648,360</b>	<b>19,980,209</b>	<b>4.5%</b>
<b>Operating Increase (Decrease)</b>	<b>\$ (14,050,095)</b>	<b>\$ (14,611,844)</b>	<b>\$ (561,749)</b>	<b>4.0%</b>
<b>Modified Cash Flow:</b> Add back Depreciation	28,439,018	30,728,899	2,289,881	8.1%
Less Capital Expenditures	(7,704,295)	(8,516,691)	(812,396)	10.5%
Less Capital Reserve Funding	(3,351,962)	(3,917,547)	(565,585)	16.9%
Less Debt Service Principal	(4,909,189)	(5,405,171)	(495,982)	10.1%
<b>Net Change Before Other Adj &amp; Transfers</b>	<b>(1,576,523)</b>	<b>(1,722,354)</b>	<b>(145,831)</b>	
Transfer from/(to) Admin Savings Rsrv	(3,076,740)	(3,301,740)	(225,000)	
Transfer from/(to) Budget Stabilization	1,300,000	275,320	(1,024,680)	
<b>Net Change Subtotal</b>	<b>(3,353,263)</b>	<b>(4,748,774)</b>	<b>(1,395,511)</b>	
Other Strategic Transfers from/(to) Reserves	3,817,806	4,981,376	1,163,570	
<b>Net Change in Cash &amp; Reserve Transfers</b>	<b>\$ 464,543</b>	<b>\$ 232,602</b>	<b>\$ (231,941)</b>	

# FY18 Proposed Budget: Auxiliary

	FY17 Base	FY18 Proposed	\$ Change	% Change
<b>Revenue:</b> Tuition & Fee Revenue	\$ 1,240,000	\$ 1,240,000	\$ -	0.0%
Dining & Residence Revenue	61,954,683	64,255,855	2,301,172	3.7%
Tuition Waivers/Scholarships	(2,257,108)	(2,130,802)	126,306	-5.6%
Sales/Services/Other	17,931,561	16,678,940	(1,252,621)	-7.0%
<b>Total Revenue</b>	<b>78,869,136</b>	<b>80,043,993</b>	<b>1,174,857</b>	<b>1.5%</b>
<b>Expense:</b> Personnel Expense	21,479,116	22,134,625	655,509	3.1%
Fuel & Electricity	5,988,621	5,997,437	8,816	0.1%
Supplies & Services	24,257,041	24,820,399	563,358	2.3%
Travel	130,418	129,418	(1,000)	-0.8%
Memberships, Contributions & Sponsorships	38,984	27,695	(11,289)	-29.0%
Maintenance & Alterations	4,295,527	4,200,976	(94,551)	-2.2%
Interest Expense	4,154,326	3,941,796	(212,530)	-5.1%
Depreciation	4,935,173	5,400,401	465,228	9.4%
Other Expenses & Transfers	10,246,778	9,852,801	(411,977)	-4.0%
<b>Total Expenses &amp; Transfers</b>	<b>75,543,984</b>	<b>76,505,548</b>	<b>961,564</b>	<b>1.3%</b>
<b>Operating Increase (Decrease)</b>	<b>\$ 3,325,152</b>	<b>\$ 3,538,445</b>	<b>\$ 213,293</b>	<b>6.4%</b>
<b>Modified Cash Flow:</b> Add back Depreciation	4,935,173	5,400,401	465,228	9.4%
Less Capital Expenditures	(2,314,603)	(2,106,730)	207,873	-9.0%
Less Capital Reserve Funding	(966,428)	(1,496,524)	(530,096)	54.9%
Less Debt Service Principal	(4,955,929)	(5,182,163)	(226,234)	4.6%
<b>Net Change Before Other Adj &amp; Transfers</b>	<b>23,365</b>	<b>153,429</b>	<b>130,064</b>	
Other Strategic Transfers from/(to) Reserves	251,967	45,961	(206,006)	
<b>Net Change in Cash &amp; Reserve Transfers</b>	<b>\$ 275,332</b>	<b>\$ 199,390</b>	<b>\$ 75,942</b>	



# FY18 Proposed Budget: E&G and Auxiliary

	FY17 Base	FY18 Proposed	\$ Change	% Change
<b>Revenue:</b>				
Tuition & Fee Revenue	\$ 276,558,450	\$ 298,751,943	\$ 22,193,493	8.0%
Dining & Residence Revenue	61,954,683	64,255,855	2,301,172	3.7%
Tuition Waivers/Scholarships	(71,264,208)	(79,157,884)	(7,893,676)	11.1%
State Appropriation	187,270,534	188,920,534	1,650,000	0.9%
Sales/Services/Auxiliary	53,967,733	56,310,061	2,342,328	4.3%
<b>Total Revenue</b>	<b>508,487,192</b>	<b>529,080,509</b>	<b>20,593,317</b>	<b>4.0%</b>
<b>Expense:</b>				
Personnel Expense	343,310,052	356,306,873	12,996,821	3.8%
Fuel & Electricity	21,329,832	21,361,082	31,250	0.1%
Supplies & Services	50,594,149	53,976,976	3,382,827	6.7%
Travel	5,898,347	6,154,845	256,498	4.3%
Memberships, Contributions & Sponsorships	1,649,645	1,628,229	(21,416)	-1.3%
Maintenance & Alterations	14,965,810	15,106,380	140,570	0.9%
Interest Expense	6,226,590	5,870,926	(355,664)	-5.7%
Depreciation	33,374,191	36,129,300	2,755,109	8.3%
Other Expenses & Transfers	41,863,519	43,619,298	1,755,779	4.2%
<b>Total Expenses &amp; Transfers</b>	<b>519,212,135</b>	<b>540,153,908</b>	<b>20,941,773</b>	<b>4.0%</b>
<b>Operating Increase (Decrease)</b>	<b>\$ (10,724,943)</b>	<b>\$ (11,073,399)</b>	<b>\$ (348,456)</b>	<b>3.2%</b>
<b>Modified Cash Flow:</b>				
Add back Depreciation	33,374,191	36,129,300	2,755,109	8.3%
Less Capital Expenditures	(10,018,898)	(10,623,421)	(604,523)	6.0%
Less Capital Reserve Funding	(4,318,390)	(5,414,071)	(1,095,681)	25.4%
Less Debt Service Principal	(9,865,118)	(10,587,334)	(722,216)	7.3%
<b>Net Change Before Other Adj &amp; Transfers</b>	<b>(1,553,158)</b>	<b>(1,568,925)</b>	<b>(15,767)</b>	
Transfer from/(to) Admin Savings Rsrv	(3,076,740)	(3,301,740)	(225,000)	
Transfer from/(to) Budget Stabilization	1,300,000	275,320	(1,024,680)	
<b>Net Change Subtotal</b>	<b>(3,329,898)</b>	<b>(4,595,345)</b>	<b>(1,265,447)</b>	
Other Strategic Transfers from/(to) Reserves	4,069,773	5,027,337	957,564	
<b>Net Change in Cash &amp; Reserve Transfers</b>	<b>\$ 739,875</b>	<b>\$ 431,992</b>	<b>\$ (307,883)</b>	

## Quasi-Independent State Entities Budget Requirement

- Public Law 2011, Chapter 616 mandates:

- Board of Trustees approval of the annual budget for travel, meals, and entertainment costs.
- Board of Trustees approval of the annual budget for contribution expenses – defined by this Public Law as membership dues & fees, gifts, donations, and sponsorships.
- Periodic reporting of the actual travel and contribution costs by the UMS to the Board of Trustees.
- Annual reporting to the Legislature by the UMS of contributions made to persons in the preceding year that were greater than \$1,000, and the total contributed to each.

- UMS “Use of University funds” policy generally prohibits charitable contributions; Sponsorships which advance the University’s mission are allowed. UMS “Travel & Expense” policy defines what constitutes allowable travel, meals, and entertainment expenses.

### FY18 Budget

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Fund	Travel, Meals, Entertainment	Memberships, Gifts, Donations, & Sponsorships
E&G/Auxiliary	\$ 6,155	\$ 1,628
Restricted/Other	4,424	522
<b>Total</b>	<b>\$10,579</b>	<b>\$ 2,150</b>

E&G/Auxiliary are included in the proposed operating budgets. Restricted/Other includes grants & contracts, MEIF, Coop. Ext, etc. and is not included in the operating budgets.



# Appendix

- Detailed Information by Campus for:
  - FY18 Operating Budgets
  - FY18 Student Charges Report
  - FY18 Capital Investments from Operating Budgets