

UNIVERSITY OF MAINE SYSTEM

Board of Trustees Meeting

at the University of Maine System
107 Norman Smith Hall, UM

March 13, 2017

Finance/Facilities/Technology Committee

Present: Committee Members: Norman Fournier, Chair; Jason Coombs (at UMA), James Donnelly (by phone), Michelle Hood, and Karl Turner. **Chancellor:** James Page (UMA). **Faculty Representatives:** Ray Albert (at USM), Cathleen McAnney and Patti Miles. **Presidents:** James Conneely, Kate Foster, Sue Huseman, John Short, Ray Rice, Susan Hunter, and Glenn Cummings. **System Staff:** Tracy Bigney, Chip Gavin (at UMA), Ryan Low (at UMA), Richard Thompson, Dan Demeritt, James Thelen (at UMA), Miriam White, Tracy Elliott and Rebecca Wyke. **Other Participants:** Ben Shaw, Buster Neel, Jeff Hecker, Laurie Gardner, Claire Strickland, Tim Brokaw, John Murphy, and Nancy Davis Griffin.

Committee Members Absent: Samuel Collins and Gregory Johnson.

Trustee Fournier, Chair, called the meeting to order and welcomed everyone. President Hunter introduced David Hart, Director of the Senator George J. Mitchell Center for Sustainability Solutions who welcomed the Finance/Facilities/Technology Committee to the Mitchell Center in the Norman Smith Hall.

FY2018 Proposed Operating Budget – First Reading. Dr. Rebecca Wyke, Vice Chancellor for Finance and Administration, and Ryan Low, Chief Financial Officer, presented the FY2018 Proposed Operating Budget for the University of Maine System. The second reading and vote of the Committee will occur at the April 27, 2017 Finance/Facilities/Technology Committee meeting prior to a request for approval by the Board of Trustees at the May 21-22, 2017 meeting.

FY18 Budget Overview

The budget focused on the Board of Trustees' priorities and secondary outcomes. The priorities include the following: increase enrollment, improve student success and completion, enhance the fiscal positioning of UMS, and support Maine through research and economic development. The secondary outcomes are as follows: relevant academic programming and workforce (employee) engagement.

This budget reflects the first in-state, undergraduate tuition & unified fee increase since FY2012 at 2.6% based on CPI. Three million dollars in administrative savings is being allocated as \$1 million base allocation to each of the following campuses: UMFK, UMM, and UMPI. Three campuses are using campus reserves to balance the budget in FY2018. Also included in the budget is Governor LePage's proposed FY2018-19 biennial budget increasing appropriation annually by \$1.65 million.

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 FY2017 and FY2018.

Appropriation

FY2018 budgets are based on an annual \$1.65 million increase in E&G state appropriation per the Governor's FY2018-19 biennial budget request plus the continuance of a \$4.65 million FY2017 supplemental budget request by the Governor in lieu of an FY2017 in-state, undergraduate tuition and unified fee increase. The \$1.65 million 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)

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 \$2.5 million in debt service funding to support a 9-year revenue bond that would allow the University to leverage \$22 million for infrastructure improvements. This appropriation is considered “restricted” and, therefore, not included in the unrestricted operating budget.

Enrollment

The major factors impacting enrollment include:

- FY2018 credit hours are up 1.9% over FY2017 actual credit hours.
- FY2018 out-of-state budgeted credit hours are up 33% since FY2014 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).

Residence Hall Occupancy

UMS FY2018 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 FY2014 to 217 in FY2018, a reduction of 590 beds (70%).

FY2018 Recommended in-State Tuition Rates

FY2018 is the first tuition and Unified Fee increase since FY2012 at 2.6% for in-state, undergraduate tuition and 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.

Capital Investments

The Budget Parameters include an increase in Capital Investments by 3.5%. E&G and Auxiliary budgeted capital investment is \$16.0 million, an increase of \$1.7 million (11.8%). UMA's investments will be reduced due to overall operating budget deficit. UMM budgeted \$0 in FY2017 but \$16,762 in FY2018.

Depreciation

Depreciation expense increased from \$33.4 million in FY2017 to \$36.1 million in FY2018 (\$2.7 million). 74% of the total depreciation expense is funded in the FY18 budget, the same percent as the FY2017 budget. To maintain the 74% funding level, \$1.8 million more is being expended in FY2018.

Compensation and Benefits

Compensation and 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 FY2018 internal benefit rate is increasing to 53% -up from 52.4% in FY2017.

The Employee Benefit Reserve had \$10.6 million at the end of FY2016. 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.

FY2018 Proposed Budget Overview.

The total revenues for the UMS for the FY2018 proposed budget for auxiliary services total \$80,169,969 and total operating expenses and transfers total \$76,599,053. The Net Change in Cash and Reserves Transfers total \$296,513, which reflects an increase of \$21,181 from FY2017. Total Revenue for the FY2018 proposed budget for E&G and Auxiliary totals \$529,128,916 and the total Operating Expenses and Transfers total \$540,204,110. The Net Change in Cash and Reserves Transfers total \$458,168, which is a reduction of \$281,707 from FY2017.

Governance and University Services Budgets.

Vice Chancellor Wyke reviewed the Governance and University Services budgets. The total revenues for the Governance FY2018 proposed budget total \$4,288,136 and total operating expenses and transfers total \$4,788,136. The total revenues for the University Services FY2018 proposed budget total \$8,683,211 and total operating expenses and transfers total \$5,381,471.

Campus Budget Presentations.

UM

President Susan Hunter, Provost Jeff Hecker and Ms. Claire Strickland, Chief Business Officer presented the UM budget. The UM enrollment goal for Fall 2017 is 2,300 first year student as of October 15, 2017 census as compared to the Fall 2016 first year student total of 2,230. UM is capping enrollment in the following popular majors: bioengineering, mechanical engineering, construction engineering technology, mechanical engineering technology and nursing. As of February 17 2017, UM has 207 confirmed non-resident student and 224 resident students. UM has had an increase in out-of-state student of 15% points over the past seven years. The enrollment budget for FY2018 is 1.6% above FY2017 budget and 0.1% below FY2017 actual. For FY2018 UM is budgeting a 2.6% increase in tuition, 2.6% increase in Unified Fee and 2.8% increase in room and board.

UMA

President James Conneely and Mr. Tim Brokaw, Chief Business Officer, presented the UMA budget. Some of the UMA key budget assumptions for FY2018 are as follows: a modest credit hour growth of 1.7%, increase for in-state tuition from \$217 to \$228 per credit hour, State Appropriation growth of 2.3%, FY2018 compensation increase of 2.0% and depreciation funding at 80%. UMA FY2018 enrollment budget is 9.2% below FY2017 budget and 1.7% above FY2017 actual budget.

UMF

President Kate Foster presented the UMF budget. UMF is targeting to increase recruitment to 598 new students, an increase of 2.7% for in-state tuition and 4% increase in out-of-state tuition. UMF is projecting a 2.4% increase in room and board. UMF FY2018 enrollment budget is 0.8% above FY2017 budget and 1.9% above FY2017 actual budget. UMF is projecting a 93% residence hall occupancy rate.

UMFK

President John Short and Mr. John Murphy, Chief Business Officer, presented the UMFK budget. UMFK FY2018 enrollment budget is 6.5% above FY2017 budget and 4.2% below FY2017 actual budget. UMFK is projecting an increase of \$8 per credit hour for in-state tuition, \$24 increase in out-of-state tuition, and no increase in the room and board fees. The proposed unified fee will increase from \$25 to \$30 per credit hour, and this will be no change in room and board fees. UMFK is projecting a 97% residence hall occupancy rate.

UMM

Interim President Sue Huseman and Ms. Tracy Elliott, Interim Chief Business Officer, presented the UMM budget. UMM has a goal of 2.5% enrollment increase for FY2019. UMM FY2018 enrollment budget is 2.6% below FY2017 budget and .8% below FY2017 actual budget. UMM is projecting an increase of 2.7% for in-state tuition, the unified fee proposed increase of \$1 per credit hour, and room and board will remain flat. UMM is projecting a 77% residence hall occupancy rate.

UMPI

Interim President Ray Rice and Mr. Ben Shaw, Chief Business Officer, presented the UMPI budget. UMPI FY2018 enrollment budget is 7.0% above FY2017 budget and 1.9% above FY2017 actual budget. UMPI proposed an increase of 3.5% to in-state tuition, an increase to the unified fee to \$25 per credit hour, a 2.6% increase to room rates, and Board rates remaining flat. UMPI is projecting a 88% residence hall occupancy rate.

USM

President Glenn Cummings; Mr. Buster Neel, Chief Business Officer; and Ms. Nancy Davis Griffin, Vice President for Enrollment Management and Student Affairs, presented the USM budget. USM FY2018 enrollment budget is 7.2% above FY2017 budget and 6.6% above FY2017 actual budget. USM is projecting an increase of 3.56% for undergraduate in-state tuition and the unified fee increased by 3.58%. USM is projecting 76% funding for depreciation and is projecting a 97% residence hall occupancy rate.

Adjournment.

Ellen Doughty for
Tracy B. Bigney, Clerk