

UNIVERSITY OF MAINE SYSTEM
Board of Trustees Meeting

at the University of Maine System
RM 1 Wells Conference Center, UM

March 23, 2018

Finance/Facilities/Technology Committee

Present: Committee Members: Karl Turner, Chair; Jason Coombs (by phone), James Donnelly (by phone), Sam Collins, Norm Fournier, Mark Gardner (by phone), Gregory Johnson (by phone), and James Erwin. **Chancellor:** James Page. **Faculty Representatives:** Ray Albert (by phone) and Clyde Mitchell. **Presidents:** Kate Foster, Rebecca Wyke, John Short, Ray Rice, Susan Hunter, and Glenn Cummings. **System Staff:** Chip Gavin, Ryan Low, James Thelen, Miriam White, Tracy Elliot, David Demers and Mark Schmeltz. **Other Participants:** John Henry, Tim Brokaw, Laurie Gardner, Claire Strickland, Jeff Hecker, Pam Ashby, Buster Neel, Nancy Griffin, Jeannie Uzzi, Ainsley Wallace, Kay Kimball, Ben Shaw, and Deborah Roark.

Committee Members Absent: None.

Trustee Turner, Chair, called the meeting to order and welcomed everyone.

FY2019 Proposed Operating Budget – First Reading. Vice Chancellor for Finance and Administration, Ryan Low presented the FY2019 Proposed Operating Budget for the University of Maine System. The second reading and vote of the Committee will occur at the May 2, 2018 Finance/Facilities/Technology Committee meeting prior to a request for approval by the Board of Trustees at the May 20-21, 2018 meeting.

FY2019 Budget Overview

The budget focused on the Board of Trustees' priorities and secondary outcomes. The priorities include the following: increased enrollment, increase for in-state undergraduate tuition, unified fee have increases at most campuses, and utilization of reserve funds. The budget reflects that the FY2019 credit hours are increased 2.8% from FY2018 and the out-of-state budgeted credit hours represents 23% of the total credit hours. The FY2019 enrollment budget is 0.8% above FY2018.

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 FY2018 and FY2019.

Residence Hall Occupancy

UMS FY2019 occupancy rate is at 94% and ranges from 104% for USM to 70% for UMM. Residence hall occupancy has increased slightly at 5 of the 6 campuses with residential operations.

FY2019 Recommended in-State Tuition Rates

FY2019 in-state undergraduate tuition increases are based on the Consumer Price Index (CPI) at

2.3%. Additional tuition increases at USM are due to partial implementation of the new unified budget pricing structure. The unified fee is increasing at 5 campuses, there will be no increase at UMFK or UMPI. Room rates will be increasing at 4 campuses and the board rate will be increasing at 5 campuses. The average annual increase is less than \$500 for in-state undergraduate students residing on campus.

Depreciation

Depreciation expense increased by \$1 million from FY2018 to FY2019. E&G and Auxiliary budgeted capital investment is at \$17.8 million which is an increase of \$1.7 million. Funding through Debt Service has decreased by \$1.3 million. Capital Investments increased by \$1.7 million over FY2018. 73% of the total depreciation expense is funded in the FY2019 budget which is down 1% from the FY2018 budget. UMS is planning now for major life cycle replacements of aging infrastructure and 54% of space will be over 50 years old by 2022.

Maine Economic Improvement Fund

The Maine Economic Improvement Fund (MEIF) represents Maine's ongoing commitment between the State and our public universities, working together to advance research and economic development for the benefit of all Maine people. The FY2019 MEIF is \$17.35 million System-wide with UM at 77%, USM at 19%, and UMM at 1%. The Small Campus Initiative which includes UMA, UMF, UMFK, UMPI, and the Maine Maritime Academy makes up the last 3%.

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 FY2019 internal benefit rate is increasing to 53.4% which is up from 53% in FY2018. The Employee Benefit Reserve had \$9.9 million at the end of FY2017. It is recommended that reserve levels for self-insured health benefit programs equal 3 to 6 months of benefit costs. For UMS, this would be between \$17 - \$34 million.

FY2019 Budget Position Changes

FY2019 shows that System-wide, faculty will have 11.5 increases or positions added and 4 reductions or eliminations, salaried employees will have 18 increases or positions added and 8.5 reductions or eliminations, and hourly employees will have 8.2 increases or positions added and 1 reduction or elimination. This will be a total of 24.2 increases or positions added between all three areas System wide for FY2019.

FY2019 Proposed Budget Overview.

For the UMS FY2019 proposed budget the total revenues for E&G equal \$459,072,027 and the total operating expenses and transfers equal \$473,234,048. The Net Change in Cash and Reserves Transfers equal (\$560,590) which reflects a decrease of (\$800,693) from FY2018. The total revenues for Auxiliary Services equal \$80,966,148 and the total operating expenses and transfers equal \$78,196,533. The Net Change in Cash and Reserves Transfers equal \$67,233 which reflects a decrease of (\$168,363) from FY2018. The total revenues for E&G and Auxiliary Services equal \$540,038,175 and the total operating expenses and transfers equal \$551,430,581. The Net Change in Cash and Reserves Transfers equal (\$493,367) which reflects a decrease of (\$969,056) from FY2018.

Campus Budget Presentations.

UMA

President Rebecca Wyke; Mr. Tim Brokaw, Chief Business Officer; and Mr. Jonathan Henry, Vice President for Enrollment Management & Marketing presented the UMA budget. UMA provided a strategic plan update with initiatives being focused on the following: academic programs of the future, cyberspace master plan, student success (Title III Grant), university college re-integration, strategic communications, strategic marketing, and civic engagement. The strategic enrollment plan was initially written in 2016 and was updated in January 2018. The three key goals of this plan are recruitment & growth, student success, and image perception and quality.

The financial summary showed a total revenue decrease of (2.9%) and a total expense increase of 2.5% from FY2018 to FY2019. The total census credit hours including Early College are expected to be at a 2.9% increase from FY2018 to FY2019. Tuition and mandatory fees will have an increase of 2.3%. UMA's in-state rate is tied to the UMS pricing group that also includes UMM, UMFK, and UMPI.

Key strategies for the process would be to recruit new leadership for Enrollment Management, Marketing, and Communications; leverage existing resources; enhance recruitment and strategic marketing; and to focus on key retention points.

UMFK

President John Short and Ms. Pam Ashby, Chief Business Officer, presented the UMFK budget. The in-state focus will be a collaborative admissions tour and the Promise Tuition Guarantee. Out-of-state focus will be a west coast admissions recruiter and international recruiting agent. Enrollment management plans include a shared Director of Enrollment Management, integrated campus Enrollment Management Committee and changes in marketing and campus visits. UMFK plans to improve relevant academic programming by investing in the Nursing Program, expanding the Professor of Forestry from phased to full time, hiring a new Assistant Professor of Chemistry, and focusing on academic affairs curricular changes.

The collaboration and academic partnerships between UMFK and UMPI include Education and Nursing with more to come. They will have a shared Director of Enrollment Management and a shared Director of Financial Aid. They will also have a Collaboration Committee and a joint Board of Visitors Committee. The proposed investment in Nursing will total \$188,060, which will include \$76,700 for a Nursing Clinical Supervisor, \$61,360 to supplement existing faculty, and \$50,000 for equipment collaboration costs.

Plans to resolve the auxiliary deficit include adding value through repairs, improving aesthetics, and program management. FY2020 plans include increasing rates by 5% and increasing head count by 1.5%. UMFK will use their E&G surplus to augment their Auxiliary deficit. The Auxiliary Net Change in Cash and Reserves Transfers total (\$205,843) which reflects a decrease from FY2018. Proposed rates and appropriation for shared services will be increased by \$5.00 for in-state tuition and by \$8.00 for out-of-state tuition. The net impact of the appropriation for shared services will be \$137,853. FY2019 net student charges revenue will be at an increase of 1.1%.

UMPI

President Ray Rice, Mr. Ben Shaw, Chief Business Officer; and Ms. Deborah Roark, Executive Director of University Advancement, presented the UMPI budget. UMPI reported that total Fall 2017 enrollment was at 1,408 students. Of those students 89% are Maine residents, 3% are international, and 8% were out-of-state. The Competency Based Online Degree Completion Program

for Adult Learners currently has 95 students enrolled for Fall 2018. Of those students 5% are in the 18-24 year old range, 42% are in the 25-39 year old range, and 53% are in the 40-65 year old range.

UMPI plans to focus on the Comprehensive Enrollment Management Plan that was submitted in November 2017 with 3 year projections. They will roll out the “The Way It Should Be” marketing campaign. They have 5 goals for recruitment which include increasing new student counts annually by 10%, increasing the number of campus visits by 10%, rewriting merit criteria to reflect proficiency based transcripts, developing recruitment plans for their new initiatives, and maintaining dual enrollment at 20% of total credit hours. The Finish in Four initiative is focused on timely degree completion which saves students time, money, and eliminates barriers in getting into their chosen career field.

The FY2019 budget was balanced without the use of reserves or outside assistance. FY2019 total credit hours are projected at 26,541 without Competency Based Education (CBE) and 30,717 with CBE. Tuition adjustments will be a \$5.00 increase for in-state students and an \$8.00 increase for out-of-state students. The room rate for a double room will increase by \$142. The unified fee and meal plan will not change. Total E&G revenue is \$652,698 which is a 4.5% increase over FY2018. Total Auxiliary revenue is (\$17,053) which is down 0.8% from FY2018. Total E&G expense is \$616,800 which is a 4.0% increase over FY2018. Total Auxiliary expense is \$40,083 which is a 2.2% increase from FY2018.

USM

President Glenn Cummings; Mr. Buster Neel, Chief Business Officer; Ms. Nancy Davis Griffin, Vice President for Enrollment Management and Student Affairs; Ms. Jeannine Uzzi, Provost and Vice President for Academic Affairs; and Ms. Ainsley Wallace, USM Foundation Vice President presented the USM budget. USM has created a set of 9 goals to support priority outcomes from 2015 through 2020. Some of these goals include 72% of first-year full time students returning to USM for their second year, 10% of alumni giving to USM annually, the USM Foundation raising \$50 million, and the USM headcount enrollment reaching 10,000.

Overall enrollment at USM including undergraduate, graduate, and law is projected to increase by 1% for Fall 2018 and Spring 2019. Other enrollment projections for FY2019 include a decrease in international students, out-of-state new students, and transfer student enrollments. It is also projected that there will be increases in residential students, in-state first year students, full time students, and Early College enrollments. USM is focusing on increasing retention to 72% by the year 2020, increasing the 6 year graduation rate to 38% by the year 2024, and increasing enrollment in Nursing, Engineering, and Computer Science. USM is involved in many University of Maine System collaborations. Some examples are working with UMPI on Risk-Management & Insurance and working with UMA and UMFK on Cyber-Security.

Overall USM’s five core ratios have improved over the last few years. Depreciation is projected to decrease 8% over all from FY2018 to FY2019. For FY2019 USM has projected a 3.5% increase to undergraduate and graduate credit hour rates, and a 2.6% increase to room and board rates. They are expected to have a 108% occupancy rate for Fall 2018. The USM FY2019 proposed budget without Maine Law School will use the reserves from FY2018 to balance the budget for FY2019. The Maine Law School FY2019 proposed budget has declines across the board leaving a (\$500,000) deficit.

UMF

President Kate Foster and Ms. Laurie Gardner, Chief Business Officer, presented the UMF budget.

UMF graduate programs are growing which is a multi-year trend. The undergraduate enrollment is stable after years of decline and the graduate enrollment is increasing. First-time, full-time undergraduate retention rates are projected to be 92% for one semester retention, 78% for one year retention, and 69% for two year retention.

UMF's strategic enrollment goals are to increase recruitment targets to 603 new students, increase out-of-state entering class by 1%, deploy an out-of-state recruiter for a full year, increase credit hours by 20%, increase Early College credit hours by approximately 25%, and to maintain their current student 1st and 2nd year return rates. They plan to expand graduate education for Math Coaching and Special Education with potential for others. UMF will continue System collaborations with USM, UM, and UMPI. Current UMS collaborations are Financial Advising, Master's of Instructional Technology, and Master's in Education Leadership. They also plan to activate smart classroom to enable distance education and to deepen High School Early College relations.

UMF proposed a 2.2% increase to in-state tuition and a 4.1% increase to out-of-state tuition for FY2019. They proposed a 4.9% increase to room charges and a 3.5% increase to board charges. Residence hall occupancy is expected to increase to 89% which is a 2% increase for FY2019. UMF projects that the budget for E&G and Auxiliary will balance out for FY2019.

UM

President Susan Hunter, Provost Jeff Hecker and Ms. Claire Strickland, Chief Business Officer presented the UM budget. In FY2017 UM held 54% of the UMS net revenue from tuition and fees. UM's strategic growth plans are to phase out remediation programs, manage admissions to high-demand programs, aggressively pursue top Maine students, increase support for outstanding students, and improve overall student success.

UM's six year strategic reallocation history shows that financial aid has increased from \$2.4 million to \$5.3 million from 2014 to 2019. UM plans to support Maine through research & economic development by continuing to increase private sector partnerships and projects so they can continue to generate industry project revenue and licensing revenue. UM has several groups such as the Innovation & Economic Development Council and the UM Research & Development Foundation working on increasing the commercialization of the University of Maine.

FY2019 proposals are to increase in-state tuition by 2.3% for graduates and 2.4% for undergraduates and to increase out-of-state tuition by 2.4% for graduates and 2.3% for undergraduates. UM proposed to increase room and board rates by 2.7%. Residence hall occupancy is projected at 94% which is a 2% increase for FY2019. UM projects a balanced budget for FY2019 by supplementing the non-discretionary parameters gap with the strategic surplus.

UMM

President Susan Hunter; Ms. Kay Kimball, Vice President and Head of Campus; and Ms. Claire Strickland, Chief Business Officer presented the UMM budget. UMM proposes to lower out-of-state tuition from \$616 per credit hour to \$475 per credit hour. They will continue current Systems collaborations with UM, UMA, UMPI, and UMFK. A five year credit hour comparison showed that since 2013 in-state credit hours have decreased 12.3%, out-of-state credit hours have decreased 33.9%, and overall credit hours have decreased 16.6%.

FY2019 budget indicates the total net non-discretionary deficit and the total net strategic deficit, UMM is looking at a total gap of (\$587,026). Actions to mitigate the gap include adjusting financial

aid to account for out-of-state tuition reductions, reductions in positions, reductions in student wages, and adjusting the shared services budget which was incorrect from FY2018.

UMM's FY2019 comprehensive budget for E&G and Auxiliary shows a decrease of (0.6%) for total revenue and a decrease of (0.4%) for total expense. They are proposing a tuition increase of 2.2% for in-state students and a tuition decrease of (22.9%) for out-of-state students for FY2019. They proposed an increase of 3.6% for room and board rates. FY2019 residence hall occupancy is projected at 70% which is a 6% increase from FY2018.

Adjournment

Heather A. Massey for
Ellen N. Doughty, Clerk