

UNIVERSITY OF MAINE SYSTEM
Board of Trustees Meeting

at the University of Maine System
McIntire Room, Buchanan Alumni House

March 19, 2019

Finance, Facilities & Technology Committee

Present: Committee Members: Karl Turner, Chair; Sam Collins (by phone), Norm Fournier, Mark Gardner, Gregory Johnson (by phone), Kelly Martin and James Erwin. **Other Trustees:** Trevor Hustus. **Chancellor:** James Page. **Faculty Representatives:** Patti Miles. **Presidents:** Eric Brown, Rebecca Wyke (by phone), John Short, Ray Rice, Joan Ferrini-Mundy, and Glenn Cummings. **System Staff:** Chip Gavin, Ryan Low, James Thelen, Miriam White, Tracy Elliot, Kay Kimball, Rosa Redonnet, Ellen Doughty and Mark Schmelz. **Other Participants:** Claire Strickland, Pam Ashby, Buster Neel, Nancy Griffin, Jeannie Uzzi, Ben Shaw, Jared Cash, Robert Dana, Andrew Egan, Jeanne Paquette, Alec Porteous, Joseph Szakas, Jason Towers and Tex Boggs.

Committee Members Absent: David MacMahon and Jim Donnelly.

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

FY2020 Proposed Operating Budget – First Reading – Governance Budget and University Services. Vice Chancellor for Finance and Administration, Ryan Low presented the FY2020 Proposed Unified Operating Budget, Capital Budget and Student Charges for the University of Maine System. The second reading and vote of the Committee will occur at the next Committee meeting on May 3, 2019 prior to a request for approval by the Board of Trustees at the May 19-20, 2019 meeting.

FY2020 Budget Overview

The budget focused on the Board of Trustees' priorities and secondary outcomes. The budget overview includes the following: increased enrollment, increase for in-state undergraduate tuition, utilization of reserve funds, and a requested appropriation increase. In-state, undergraduate tuition will increase at Consumer Price Index (CPI) at most campuses at 2.5%. UMA & UMM are using campus reserves to balance their budgets. UMF is requesting Budget Stabilization funds and the Law School is utilizing USM reserves & requesting Budget Stabilization Funds in order to balance their budgets. The Governor's proposed Biennial Budget includes a 3% increase in FY2020 appropriation plus additional funds for Early College and Adult Degree Completion programs.

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 FY2019 and FY2020.

Enrollment & Residence Hall Occupancy

The major factors impacting enrollment include the FY2020 credit hours are up 3.6% over FY2019 actual credit hours and the FY2020 out-of-state budgeted credit hours represent 24% of the total credit hours. UMS FY2020 occupancy rate ranges from 118% at USM to 60% at UMM.

FY2020 Recommended in-State Tuition Rates

FY2020 in-state undergraduate tuition increase is based on the Consumer Price Index (CPI) at 2.5%. Additional tuition increases at USM to equal UMF are due to final implementation of the unified budget pricing structure. The unified fee is increasing at 5 campuses, there will be no increase at UMFK or UMA. Room rates will be increasing at all campuses. The average annual increase in total cost (tuition, mandatory fees, room and board) is less than \$500 for in-state undergraduate students residing on campus.

Depreciation

Depreciation expense increased by \$1.3 million from FY2019 to FY2020. E&G and Auxiliary budgeted capital investment is at \$15.6 million which is a decrease of \$2.2 million. 66% of the total depreciation expense is funded in the FY2020 budget which is down 7% from the FY2019 budget. Although not reflected in this budget, UMS will be making capital investments of \$49 million with State Bond Funds.

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 FY2020 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 Maine Maritime Academy makes up 3%.

Compensation and Benefits

Compensation and benefits continues to be the single largest cost driver representing 72% of the E&G budget.

FY2020 Budget Position Changes

The total number of positions will increase by 9.7 System-wide during FY2020. Faculty positions will increase by 6.7; salaried positions will increase by 2.2; hourly positions will increase by 0.8.

FY2020 Proposed Budget Overview.

The UMS FY2020 proposed budget reflects total revenues for E&G equal \$478,971,986 and the total operating expenses and transfers equal \$492,483,390. The Net Change in Cash and Reserves Transfers equal a negative \$881,792. The total revenues for Auxiliary Services equal \$82,538,805 and the total operating expenses and transfers equal \$80,252,648. The Net Change in Cash and Reserves Transfers equal a negative \$12,240. The total revenues for E&G and Auxiliary Services equal \$561,510,791 and the total operating expenses and transfers equal \$572,736,038. The Net Change in Cash and Reserves Transfers equal a negative \$894,032.

Campus Budget Presentations.

UM & UMM

President Joan Ferrini-Mundy, Provost Jeff Hecker, Chief Business Officer Claire Strickland, Head of Campus Andrew Egan, and Vice President for Student Life and Dean of Students Robert Dana presented the UM and UMM budgets. The strategic values that drive the budgets include fostering learner success, growing and stewarding partnerships and creating and innovating for Maine and beyond.

The FY2020 UM comprehensive budget for E&G and Auxiliary projects an increase of 2.9% in revenue and 3.5% increase in expenses with a balanced budget and UMM projects a decrease of 4.2% in revenue and 0.1% increase in expenses with a total deficit of \$494,277, which will be covered by of campus reserves. Both budgets are based on an increase in State Appropriations.

UM and UMM FY2020 in-state undergraduate tuition will increase by 2.4% and 2.6% respectively. The FY2020 out-of-state undergraduate tuition will increase by 2.5% at UM with no change at UMM. The proposed FY2020 in-state and out-of-state graduate tuition will increase by 2.5% at UM.

The average percentage of Room and Board increase at UM is 2.4% and UMM is 4.4%. The occupancy rate at UM is projected at 94%, which is a 1% increase from FY2019, and 60% at UMM, which is a 4.4% increase from FY2019. The Unified Fee at UM will increase between 2.3% and 2.6% depending on the number of credit hours and the UMM Unified Fee will increase 2.6%.

UMFK

President John Short, Chief Business Officer Pam Ashby, Executive Director of Enrollment Management Jason Towers, and Vice President for Academic Affairs Tex Boggs presented the UMFK budget. The academic and budget priorities for 2019 and 2020 include filling critical vacant positions, growth in nursing, implementation of the innovative marketing initiatives, strengthening the UMFK/UMPI collaborations, pursuing possible shared positions and second year investments.

The FY2020 headcount enrollment projections include increases in continuing and new students, academic partnerships and dual credit with decreases in withdraws and transfers/graduates for a total projected headcount of 2041. An area of focus is the RN to BSN with Academic Partnerships with two start dates in the fall and two in the spring. Credit hour projections for FY2020 are 14,728 without Academic Partnerships and 14,985 with Academic Partnerships.

The FY2020 per student, per semester increases over FY2019 for in-state tuition is \$6, out-of-state tuition by \$9, and Room and Board by \$240. UMFK is projecting a balanced budget for FY2020 with the increase in State Appropriations. Depreciation funding is projected at 86.9%. With a 2.3% reduction in gross square footage, UMFK is projecting an increase in the net asset value from 59% to 61%

UMPI

President Ray Rice, Chief Business Officer Ben Shaw, and Executive Director of Enrollment Management Jason Towers presented the UMPI budget. The FY2020 headcount enrollment projections include increases in continuing and new students, BSN, Athletes, and dual credit with decreases in withdraws and transfers/graduates for a total projected headcount of 1,121. UMPI is projecting a decrease in credit hours for FY2020 compared to FY2019.

In-state tuition remains consistent with other campuses in the unified budget tier with an increase of 2.6% and out-of-state tuition will increase by 2.4%. The Board rate will increase by 2.5%. The unified fee will increase 20% to align with UMFK to create consistency for students in programs shared between campuses.

Total E&G expenses are projected to increase by 4.8% and 73% of the increase is due to the added expense of Academic Partnerships. Auxiliary revenue will reflect an increase of 2.6% for meal plans and Auxiliary expenses will have minimal changes to keep costs in line to ensure ability to assist the E&G budget with a goal to begin to reinvest surplus back into the residence halls. The FY2020 budget is balanced by using planned surpluses in the Auxiliary area. UMPI will continue to strive to have both E&G and Auxiliary balanced individually during the year and in future years.

UMA

President Rebecca Wyke; Vice President for Academic Affairs and Provost Joseph Szakas and assisted by Miriam White, Vice President for Budget and Financial Analysis for the UMS presented the UMA budget. UMA provided a strategic plan update with initiatives around the Board of Trustees Strategic Outcomes with a focus on the following: Strengthen Student Success, Advance Academics and Cultivate Reputation and Resources.

The financial summary showed a total revenue increase of 5.8% and a total expense increase of 1.8% from FY2019 to FY2020. The total census credit hours including Early College are expected to increase at 4.5% from FY2019 to FY2020. 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. UMA is funding depreciation at 65%. UMA will use campus reserved to balance the budget deficit of \$1.4 million.

USM

President Glenn Cummings, Chief Business Officer Alec Porteous, Vice President for Management and Chief Operating Officer Nancy Davis Griffin, Provost and Vice President for Academic Affairs Jeannine Uzzi presented the USM budget. USM has created a set of 9 goals that align with the Board of Trustees Strategic Priorities. Some of these goals include 72% of first-year full time students returning to USM for their second year and 10% of alumni giving to USM annually.

USM has had a 5.18% growth in headcount enrollment since 2015. Fall 2019 headcount will reflect an increase of 1.2% for graduate students. USM will have a fall 2019 retention rate over 70%.

USM has a continued commitment to institutional aid with the total amount projected for FY2020 of \$14.3 million compared to \$13.5 million in FY2019. Overall depreciation will be 63% funded. The proposed per credit hour rates for undergraduate in-state students will increase by 3.69%, out-of-state students by 3.65%, in-state graduate students by 3.44% and out-of-state graduate students by 3.73%. The FY2020 Unified Fee will increase by 3.33% and room and board will increase by 4.0%. The Fall 2019 occupancy rate at USM is at 118%. The FY2020 proposed budget, excluding the Maine Law School is balanced. The Maine Law School proposed budget for FY2020 is projecting a deficit of \$500,000. The Law School is utilizing USM campus reserves and requesting Budget Stabilization Funds to balance their budget.

UMF

Interim President Eric Brown and Vice President for Enrollment & External Affairs Jared Cash presented the UMF budget. For FY2020 UMF is projecting an increase in tuition for in-state and

graduate students at 2.5% and out-of-state students at 5%. The Unified fee will increase 2.5% and an increase in commitment to financial aide at 2.5% or over \$500,000. 88% of UMF students receive institutional aid. UMF will receive \$598,345 from the new appropriation funding model. The UMF FY2020 initial E&G budget has a deficit of \$500,000 and a balanced Auxiliary budget. UMF is funding depreciation is at 72%. UMF is requesting Budget Stabilization funds in order to balance their budget.

Enrollment applications as of 3/1/19 are up 4.4% for in-state and 3% of out-of-state. Over 60 applications have been referred to UMA for the UMA/UMF Farmington Forward Partnership Program. In addition to UMA, UMF has collaborative efforts with UM, UMPI, Maine Law School, USM, Southern Maine Community College and Central Maine Community College.

Executive Session

On a motion by Trustee Fournier, which was seconded by Trustee Gardner, and approved by all members present, the Finance, Facilities, Technology Committee 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 Fournier, which was seconded by Trustee Erwin, and approved by all members present, the Finance, Facilities & Technology Committee concluded the Executive Session.

Adjournment

Ellen N. Doughty, Clerk