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## FY2006 Operating Budget and Proposed Student Charges

University of Maine System

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*Maine's  
Public  
Universities*

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UNIVERSITY OF MAINE SYSTEM

# **FY2006 OPERATING BUDGET & STUDENT CHARGES**

**June 5-6, 2005**

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- II. FY06 Operating Budget
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- VII. Looking Longer Term

# **SECTION I**

**WHERE HAVE WE BEEN?**

# FY03 – FY05 E&G STATE APPROPRIATION ORIGINAL vs. FINAL

\$ in Millions

- ❖ State deappropriation/curtailments in FY03, FY04, and FY05 totaled nearly \$16 million!

<u>Legislative Session</u>		<u>Educational and General</u>		
		<u>Original</u>	<u>Final</u>	<u>Cut</u>
120th	FY03	\$172.3	\$162.8	(\$9.5)
121st	FY04	\$166.6	\$161.7	(\$4.9)
121st	FY05	\$168.7	\$167.5	(\$1.2)
122nd	FY06	\$172.2	?	?
				<u>(\$15.6)</u>

During the past 3 years:

- ❖ CPI increased by 7.4%
- ❖ Health Benefits increased by 87.3% (\$25.4 million)
- ❖ Student FTE increased by 7.7%
- ❖ In-state Weighted Tuition increased by 21.3%

# **SECTION II**

# **FY06 OPERATING BUDGET**

# FY06 BUDGET DRIVERS

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- ❖ State appropriation
  - Requested \$6 million; 3.3% increase
  - State Budget approved for \$4.0 million; 2.2% increase
- ❖ FY06 E&G appropriation totals \$172.2 million including one-time appropriation of \$100,000 for accreditation
- ❖ Significant, unavoidable increases in operating costs in FY06 approximating \$14 million include:
  - Inflationary increases for compensation and other operating expenses
  - 10% estimated health insurance increase net of plan changes
  - 13.2% energy cost increase; minimized by energy efficiency initiatives
  - Operating costs for new campus facilities

# FY06 BUDGET PROCESS

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- ❖ Campuses prepared multiple budget scenarios with varying tuition rate and expense assumptions
  - Campus budgets assumed flat state appropriation
- ❖ Budget hearings held by Chancellor, CFO, and other senior staff
- ❖ This process determined the lowest tuition increase necessary to ensure quality and inflationary costs
- ❖ State appropriation allocation will be dependent upon:
  - Need
  - Mission
  - Strategic Planning



# FY06 OPERATING BUDGET

(Excluding Restricted)

	FY04 Actual	FY05 Projected Actual	FY06 Proposed Budget
<b>Revenues</b>			
Tuition & Fees	\$156.8	\$166.6	\$174.6
Less: Waivers/Scholarships	(24.4)	(26.4)	(28.8)
State Appropriation	161.7	167.5	172.2
Interest Income	3.6	4.3	4.8
Gift Revenue/Earnings	0.8	0.3	0.4
Indirect Cost Recovery	13.0	13.1	11.5
Sales/Services/Auxiliary	99.5	96.2	97.4
Total Net Revenues	\$411.0	\$421.6	\$432.1
<b>Expenses</b>			
Operating	\$391.8	\$404.7	\$415.2
Depreciation	20.6	20.1	20.3
Debt Service Interest	6.3	6.5	6.5
Total Expenses	\$418.7	\$431.3	\$442.0
Operating Loss	(\$7.7)	(\$9.7)	(\$9.9)
<b>Cash Flow</b>			
Operating Loss	(\$7.7)	(\$9.7)	(\$9.9)
Plus Depreciation	20.6	20.1	20.3
Less: Plant Project Transfers*	(4.6)	(2.1)	0.0
Capital Expenditures	(2.4)	(2.8)	(4.0)
Debt Service Principal	(6.8)	(7.2)	(7.3)
Net Change	(\$0.9)	(\$1.7)	(\$0.9)

\*Assumption: Plant Transfers are expended in fiscal year of transfer.

# FY06 OPERATING BUDGETS BY UNRESTRICTED FUND

## (Excluding Restricted)

	<u>Educational &amp; General</u>	<u>Auxiliary Enterprises</u>	<u>FY06 Total</u>
<b><u>Revenues</u></b>			
Tuition & Fees	\$174.6		\$174.6
Less: Waivers/Scholarships	(27.8)	(1.0)	(28.8)
State Appropriation	172.2		172.2
Interest Income	4.8		4.8
Gift Revenue/Earnings	0.3	0.1	0.4
Indirect Cost Recovery	11.5		11.5
Sales/Services/Auxiliary	23.1	74.3	97.4
Total Net Revenues	<u>\$358.7</u>	<u>\$73.4</u>	<u>\$432.1</u>
<b><u>Expenses</u></b>			
Operating	\$348.3	\$66.9	\$415.2
Depreciation	17.2	3.1	20.3
Debt Service Interest	3.5	3.0	6.5
Total Expenses	<u>\$369.0</u>	<u>\$73.0</u>	<u>\$442.0</u>
<b>Operating Loss</b>	<u><u>(\$10.3)</u></u>	<u><u>\$0.4</u></u>	<u><u>(\$9.9)</u></u>
<b><u>Cash Flow</u></b>			
Operating Loss	(\$10.3)	\$0.4	(\$9.9)
Plus Depreciation	17.2	3.1	20.3
Less: Capital Expenditures	(3.0)	(1.0)	(4.0)
Debt Service Principal	(5.1)	(2.2)	(7.3)
<b>Net Change</b>	<u><u>(\$1.2)</u></u>	<u><u>\$0.3</u></u>	<u><u>(\$0.9)</u></u>

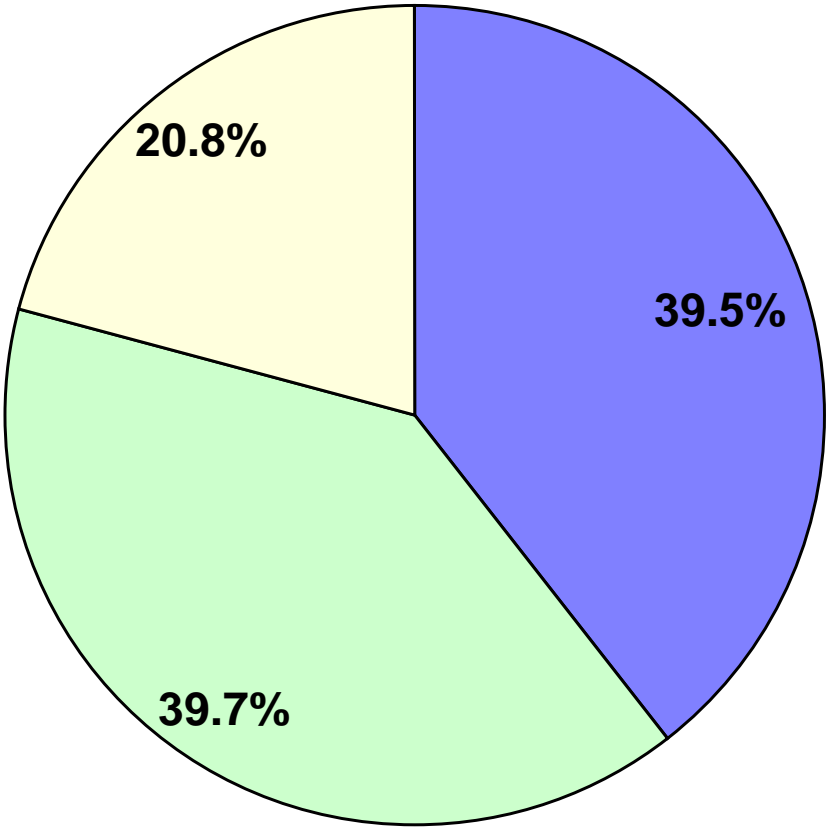
# FY06 E&G BUDGET COMMENTARY

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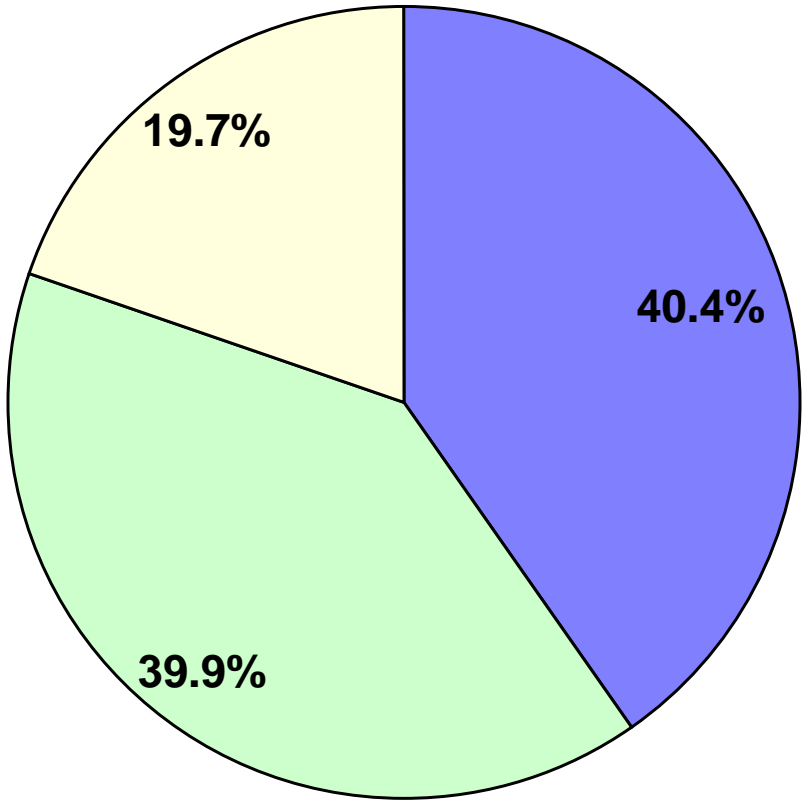
- ❖ UMS campuses continue practice of building conservative budgets
  - FY06 FTE fall budgeted enrollment of 23,721 reflects a 1.6% decline from FY05 actual; flat compared to FY05 budget
  - Other revenue areas of uncertainty (interest income, indirect cost recovery, sales and service) budgeted flat or up slightly
- ❖ Weighted average in-state tuition and fee increase 7.8%; out-of-state 9.3%
  - Maintains quality
  - Provides for a 8.3% increase in financial aid
  - Still requires reallocation of resources to fund operating cost increases
- ❖ Overall deficits planned FY05 and FY06
  - “Carry-over” surplus from prior years helps offset deficits as long-term budget cuts are made

# UNRESTRICTED OPERATING REVENUE

**FY05 PROJECTED**  
**\$421.6**



**FY06 BUDGET**  
**\$432.1**



# FY06 AUXILIARY BUDGET COMMENTARY

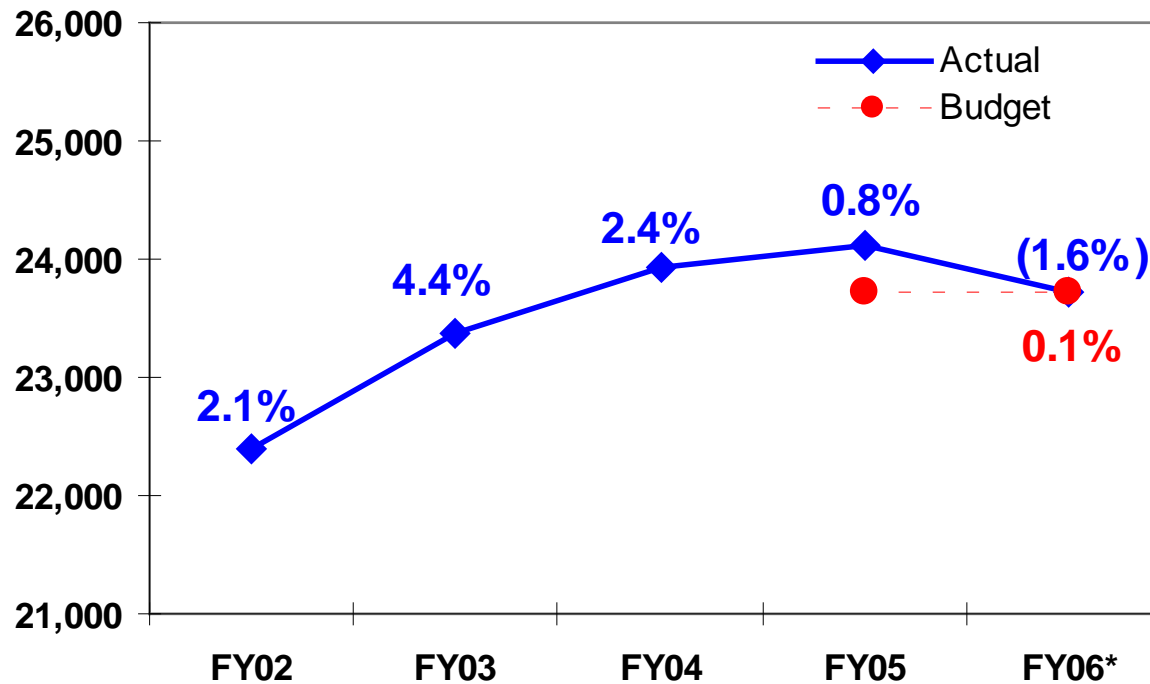
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- ❖ Residential students budgeted to increase by 1% to 7,191 students
  - Residential hall capacity System-wide increasing by 107 residents
- ❖ Room and Board weighted average increase of 5.5%. Increase is due to:
  - Different mix of suite style housing as compared to older dormitory style
  - Increased operating costs – particularly energy
  - Improved supervision, staffing & safety in residential halls
  - Building maintenance and furniture and fixture replacements
- ❖ Overall break even auxiliary budget under GASB format except:
  - UMM continues to operate at a sizeable loss – approximately \$0.5 million for FY06
  - UM operating auxiliary operations at a surplus due to restructuring of dining facilities; cost savings from more efficient dining operations will be used to fund debt service for renovations

# FALL FULL-TIME EQUIVALENT STUDENT ENROLLMENT

- ❖ Over the past 5 years, enrollments have increased 8.2%
- ❖ FY06 budgeted enrollment is flat compared to FY05 budgeted enrollment but overall reflects a decrease from FY05 actual; varies greatly by campus
- ❖ The number of Maine high school graduates is projected to decline after 2003/2004

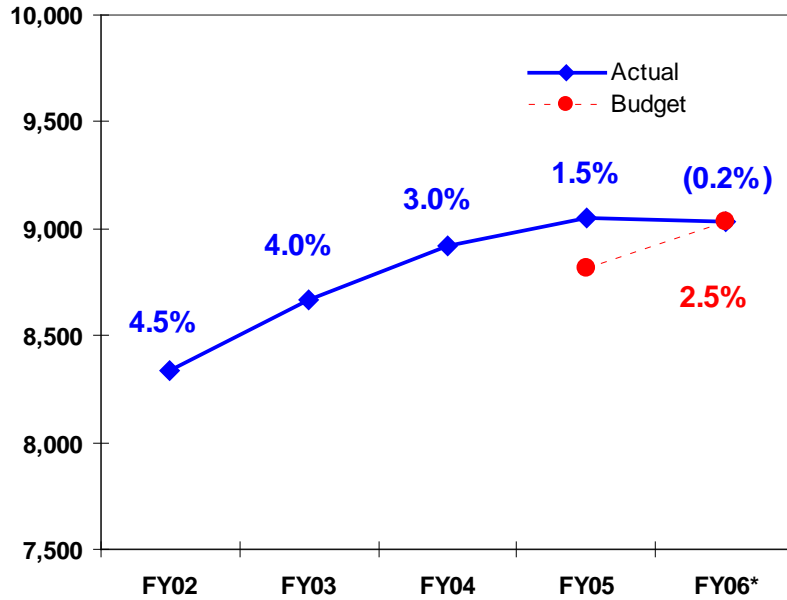
## SYSTEM TOTAL



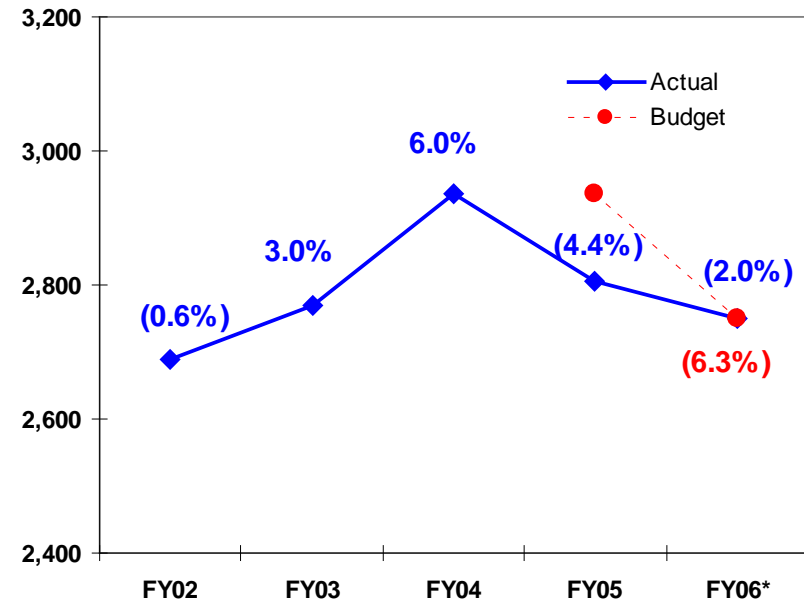
\*Budgeted

# FALL FULL-TIME EQUIVALENT STUDENT ENROLLMENT

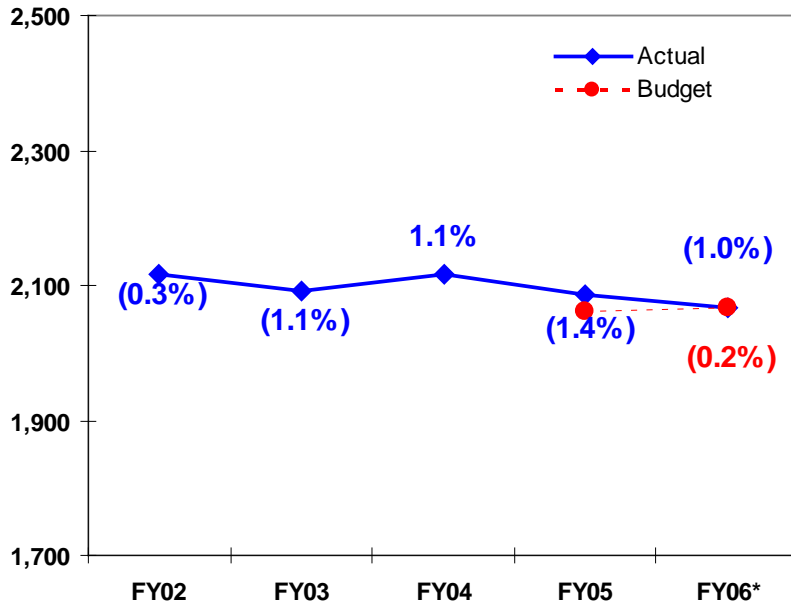
UM



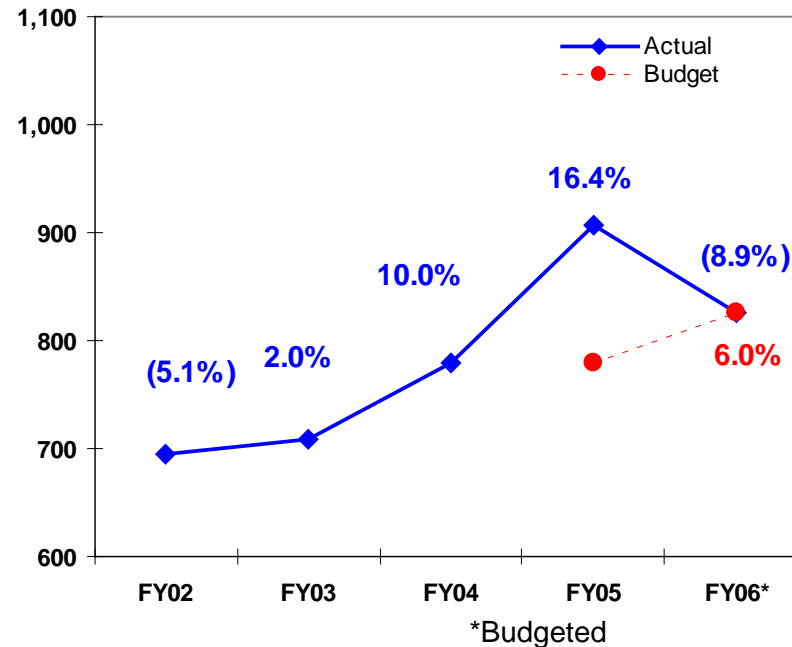
UMA



UMF

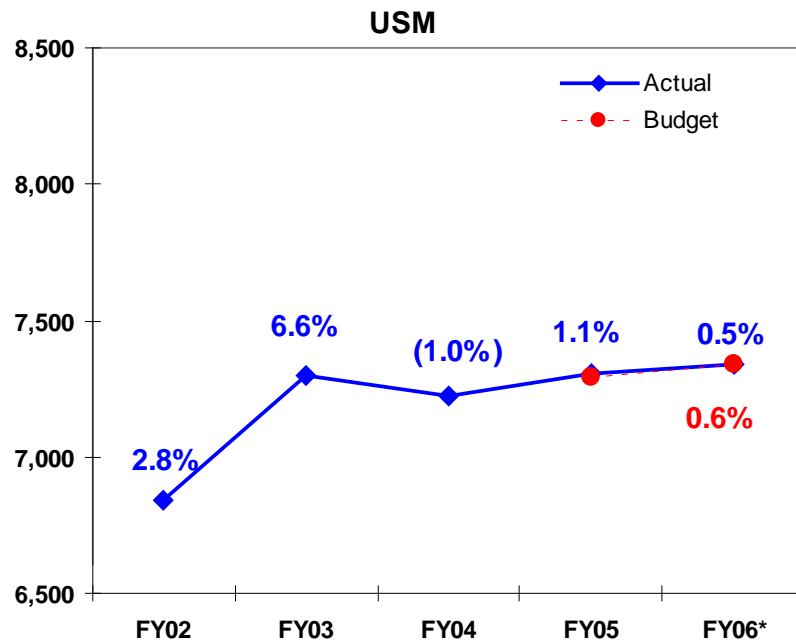
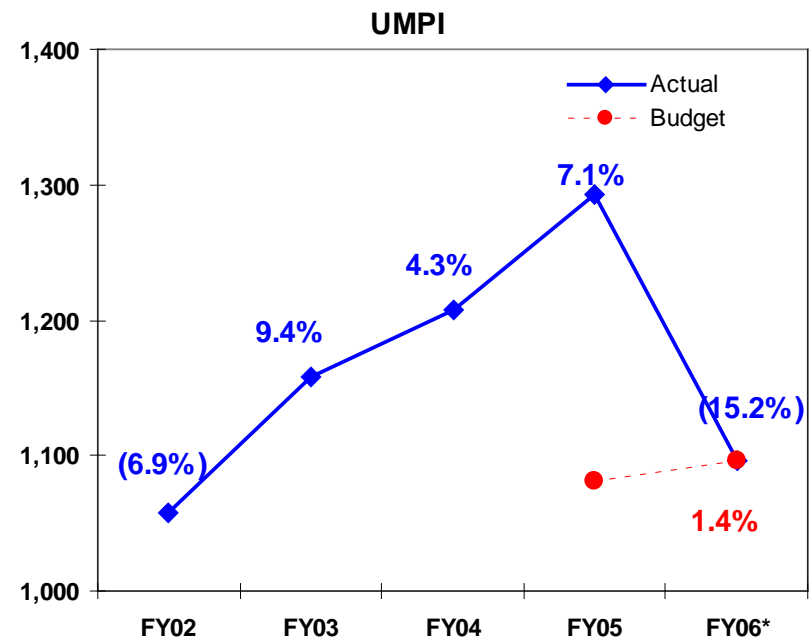
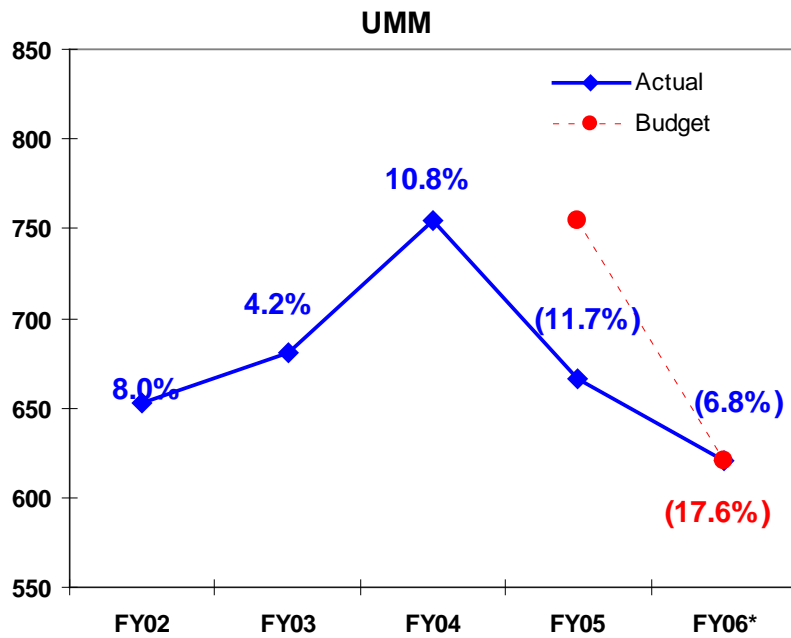


UMFK



\*Budgeted

# FALL FULL-TIME EQUIVALENT STUDENT ENROLLMENT



\*Budgeted



# **SECTION III**

## **STUDENT CHARGES**

**(See Appendix for Recommended Student Charges)**

# WHY 7.8% INCREASE IN TUITION AND FEES

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- ❖ Protect investment in quality and support unavoidable cost increases
- ❖ System priority to increase financial aid (waivers/scholarships)
  - Net tuition and fee increase is 4.4% after financial aid
- ❖ Projected increase in FY06 Maine personal income is 4%
- ❖ Proposed resident tuition & fees increases at New England Land Grant institutions:

	<u>Resident</u>	<u>Non-Resident</u>
University of Massachusetts	3.0%	3.0%
University of Rhode Island	8.0%	8.7%
University of Connecticut	5.6%	5.7%
University of New Hampshire	5.7%	7.7%
University of Vermont	5.4%	4.6%

# PROPOSED TUITION INCREASES FOR FY 06

	<u>IN-STATE</u>		<u>OUT-OF-STATE</u>		<u>NEBHE/CANADIAN</u>	
	Annual Increase		Annual Increase		Annual Increase	
	<u>\$</u>	<u>%</u>	<u>\$</u>	<u>%</u>	<u>\$</u>	<u>%</u>
<b><u>UNDERGRADUATE</u></b>						
UM	\$420	8.2	\$1,170	8.1	\$630	8.2
UMA	330	8.3	780	8.1	510	8.6
UMF	360	7.7	900	7.9	555	8.0
UMFK	330	8.3	780	8.1	510	8.6
UMM	330	8.3	1,320	12.8	510	8.6
UMPI	330	8.3	780	7.9	510	8.6
USM	360	7.8	1,020	8.0	540	7.8
<i>Weighted Avg.</i>	<b>382</b>	<b>8.3</b>	<b>1,243</b>	<b>9.6</b>	<b>417</b>	<b>6.5</b>
<b><u>GRADUATE</u></b>						
UM	\$360	7.9	\$1,044	8.0	\$540	7.9
USM	342	8.3	936	8.1	513	8.3
<i>Weighted Avg.</i>	<b>356</b>	<b>8.3</b>	<b>1,000</b>	<b>7.9</b>	<b>272</b>	<b>4.1</b>
<b><u>LAW</u></b>						
1st Yr.	\$2,400	18.0	\$3,300	15.2	\$3,585	17.9
2nd & 3rd Yr.	1,350	10.1	1,650	7.6	2,025	10.1
<i>Weighted Avg.</i>	<b>1,700</b>	<b>12.7</b>	<b>2,200</b>	<b>10.1</b>	<b>2,545</b>	<b>12.7</b>

**Note:** Undergraduate & Law annual tuition are based on 15 credit hours per semester for 2 semesters. Graduate annual tuition based on 9 credit hours per semester for 2 semesters.

# PROPOSED FY06 MANDATORY FEES INCREASES

	Annual Increase		Reason for Increase
	\$	%	
<b><u>UNDERGRADUATE</u></b>			
UM	\$96	7.4	Unified Fee-offset inflationary costs
UMA	-	-	
UMF	31	6.2	Unified Fee-offset inflationary costs
UMFK	-	-	
UMM	-	-	
UMPI	30	6.0	Unified Fee-offset inflationary costs
USM	3	0.5	Student Activity Fee Increase
<b><u>GRADUATE</u></b>			
UM	\$40	7.2	Unified Fee-offset inflationary costs
USM	-	-	
<b><u>LAW</u></b>			
	-	-	

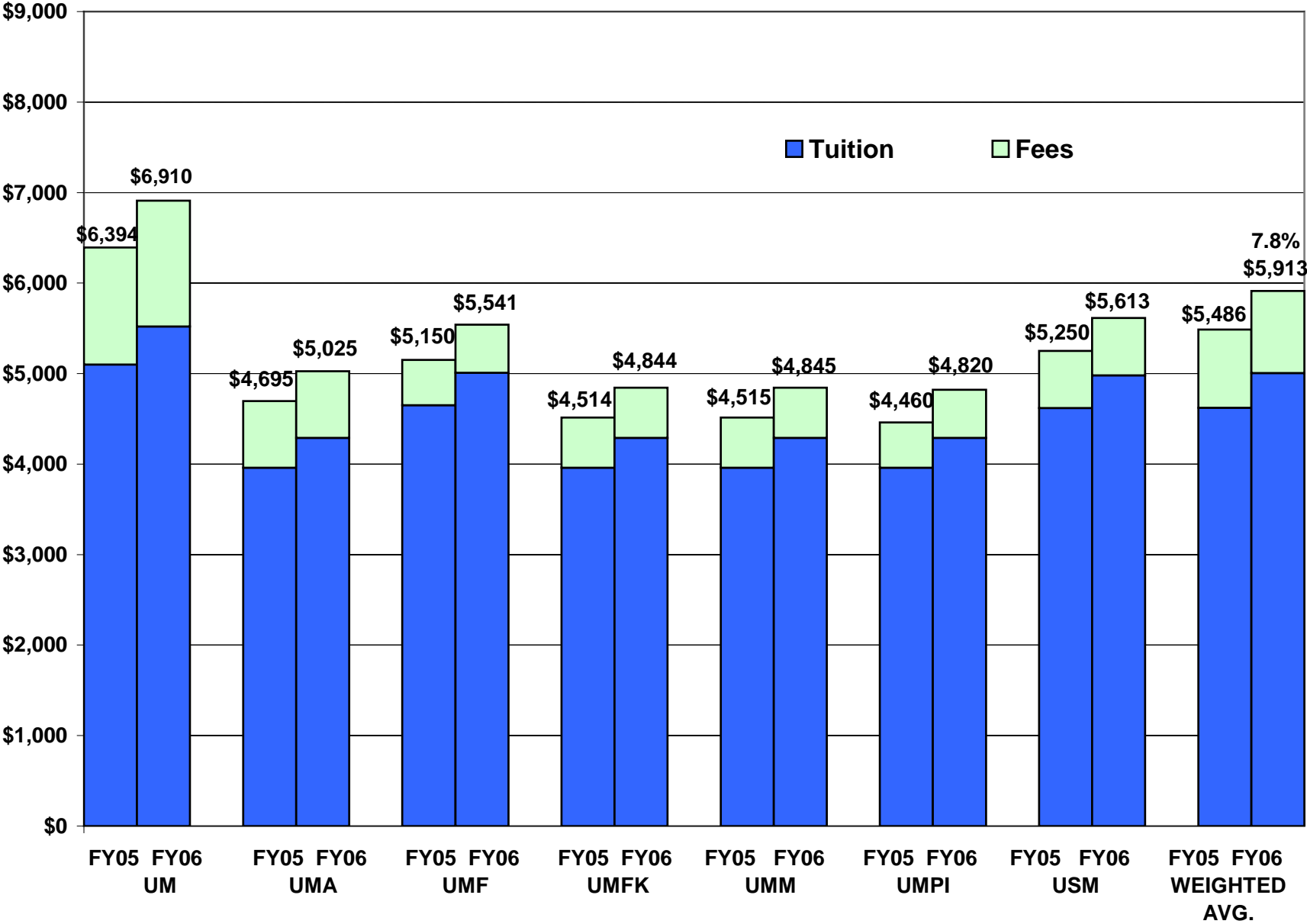
**Note:** Undergraduate & Law annual fees are based on 15 credit hours per semester for 2 semesters. Graduate annual fees based on 9 credit hours per semester for 2 semesters.

# NEBHE/CANADIAN TUITION RATES

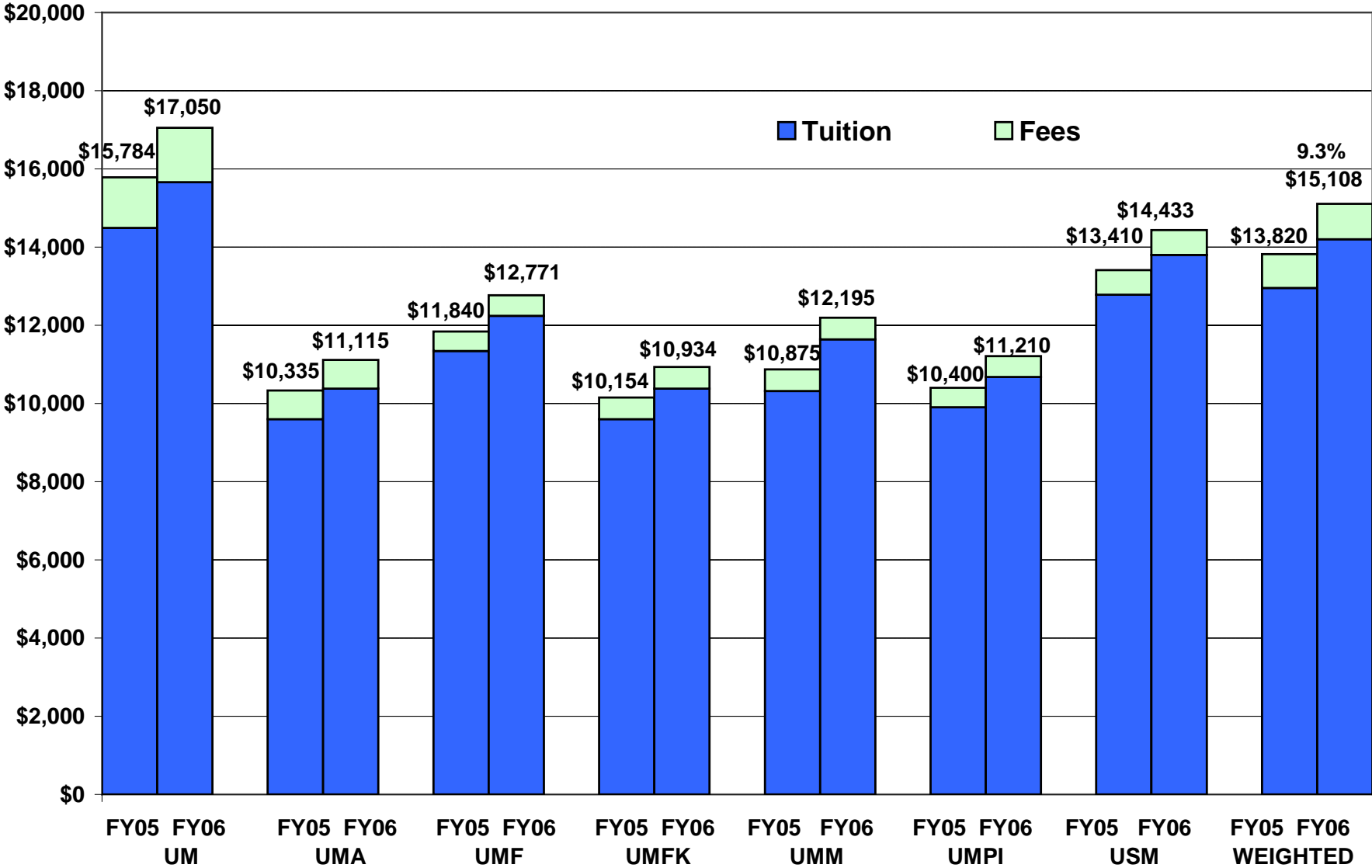
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- ❖ New England Board of Higher Education (NEBHE) voted to approve increase in ceiling from 150% to 175% of in-state rate for Fall 06
- ❖ In previous years, both NEBHE and Canadian tuition rates have been established at 150% of the in-state rate
- ❖ UMS proposes to keep the NEBHE/Canadian rate at 150% for Fall 06
  - Desire to maximize NEBHE enrollments
  - Yield rates among NEBHE/Canadian students are generally strong
  - Uncertain if other New England institutions will increase rates
  - Increase in Canadian rate could significantly impact enrollments – especially at UMPI and UMFK

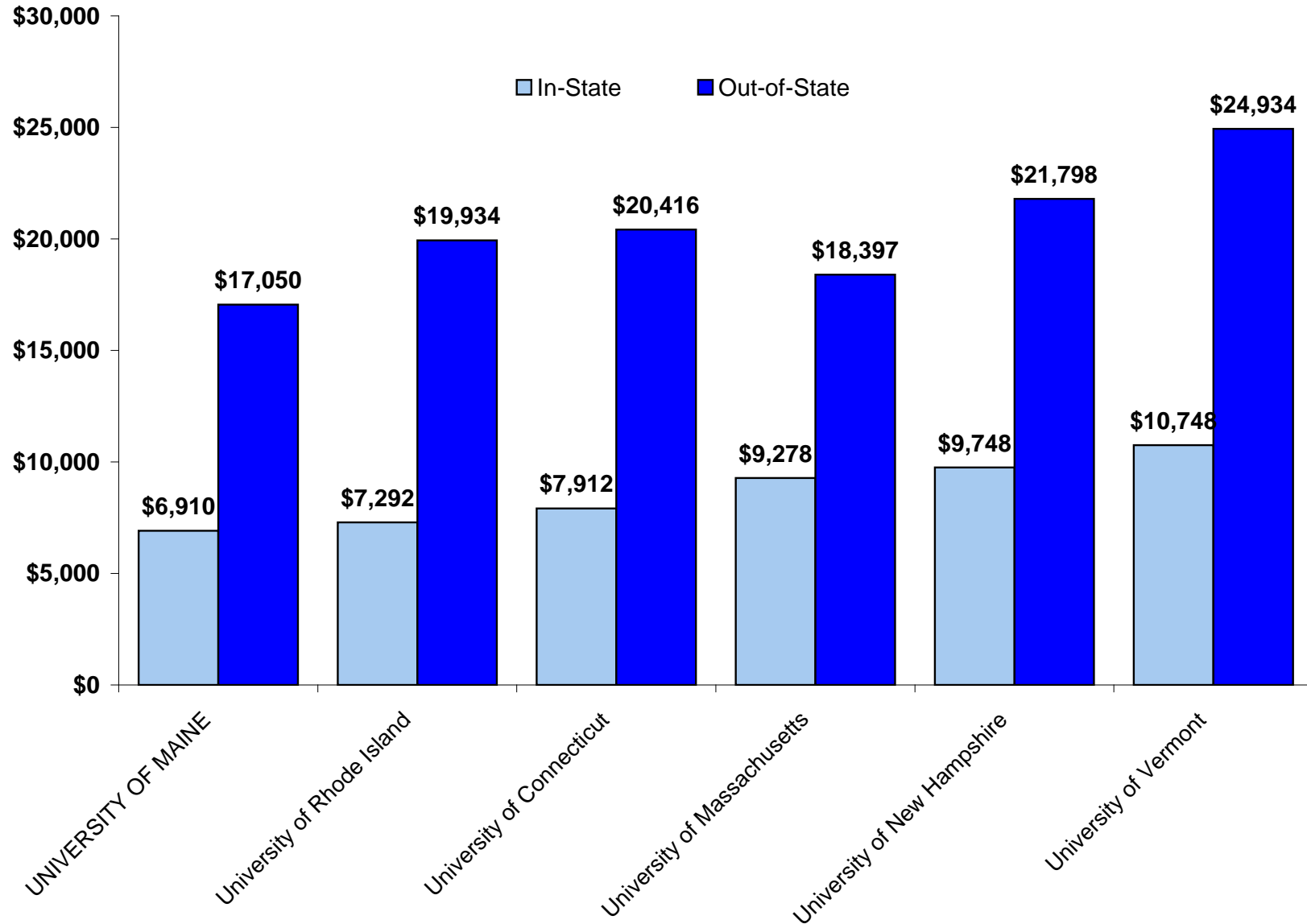
# IN-STATE TUITION AND MANDATORY FEES COMPARISON



# OUT-OF-STATE TUITION & MANDATORY FEES COMPARISON



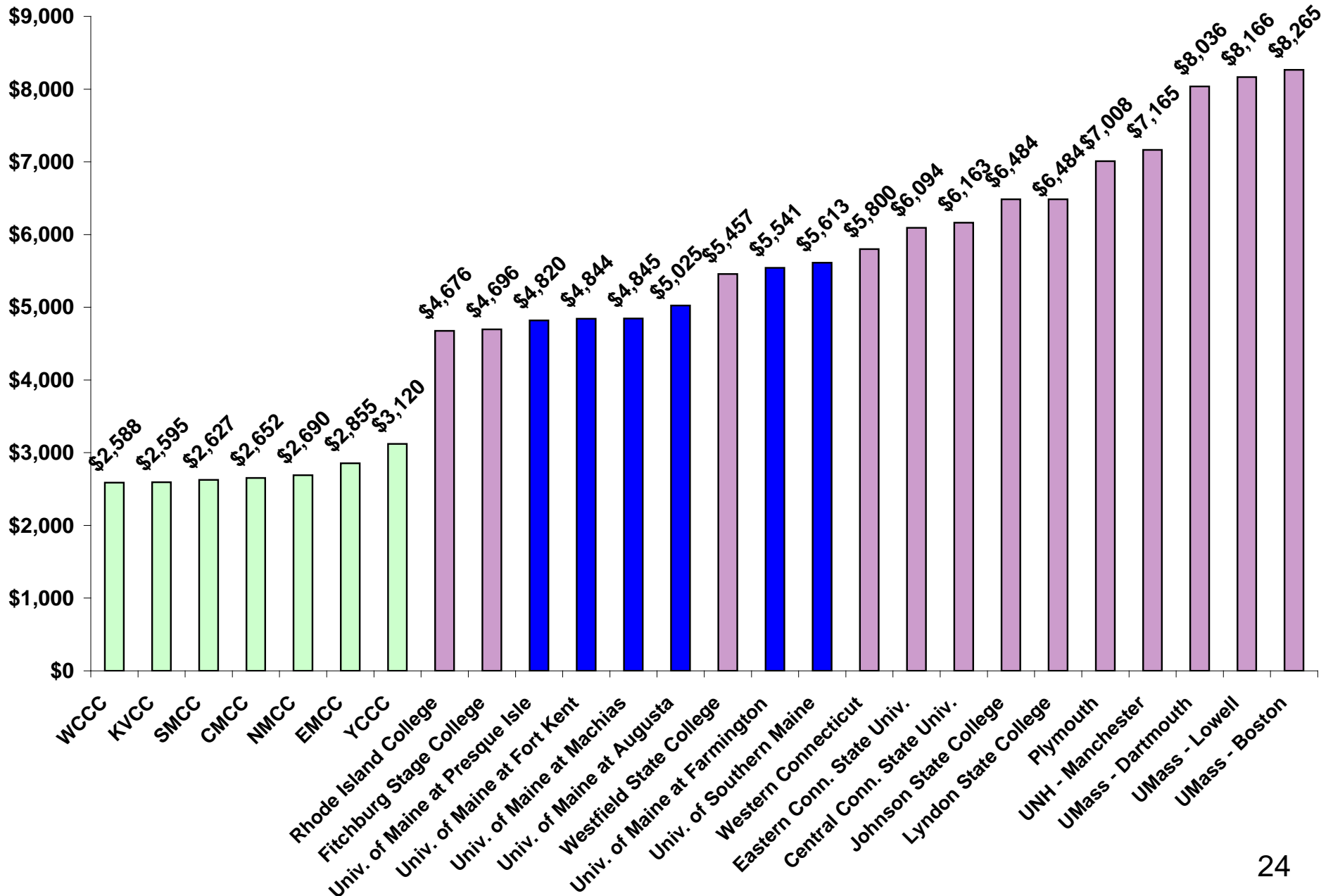
# NEW ENGLAND LAND-GRANT UNIVERSITIES ESTIMATED UNDERGRADUATE TUITION & MANDATORY FEES FY06



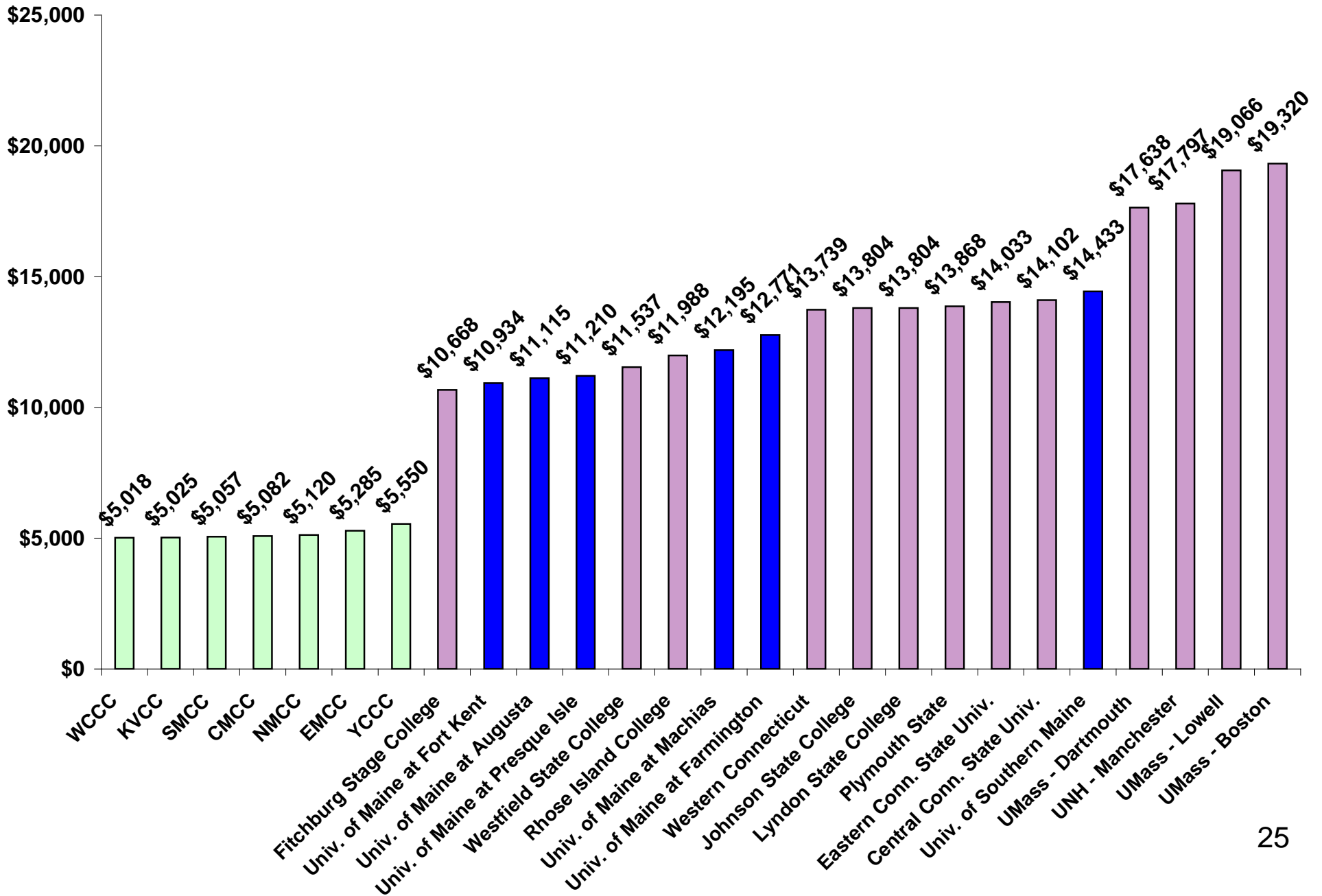
SOURCE: Telephone calls and WEB sites



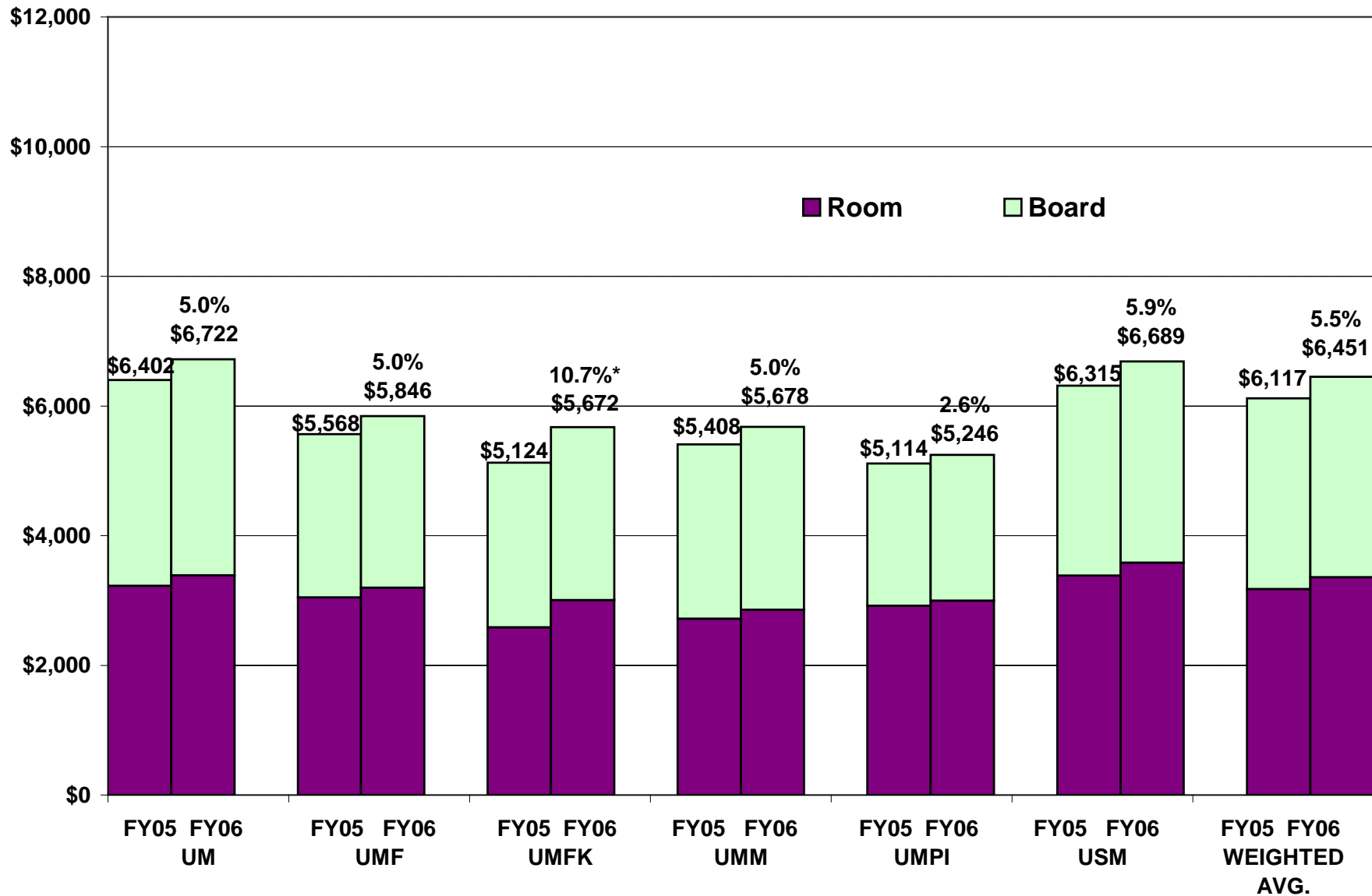
# SELECTED NEW ENGLAND STATE COLLEGES & UNIVERSITIES ESTIMATED UNDERGRADUATE IN-STATE TUITION & MANDATORY FEES FY06



# SELECTED NEW ENGLAND STATE COLLEGES & UNIVERSITIES ESTIMATED UNDERGRADUATE OUT-OF-STATE TUITION & MANDATORY FEES FY06

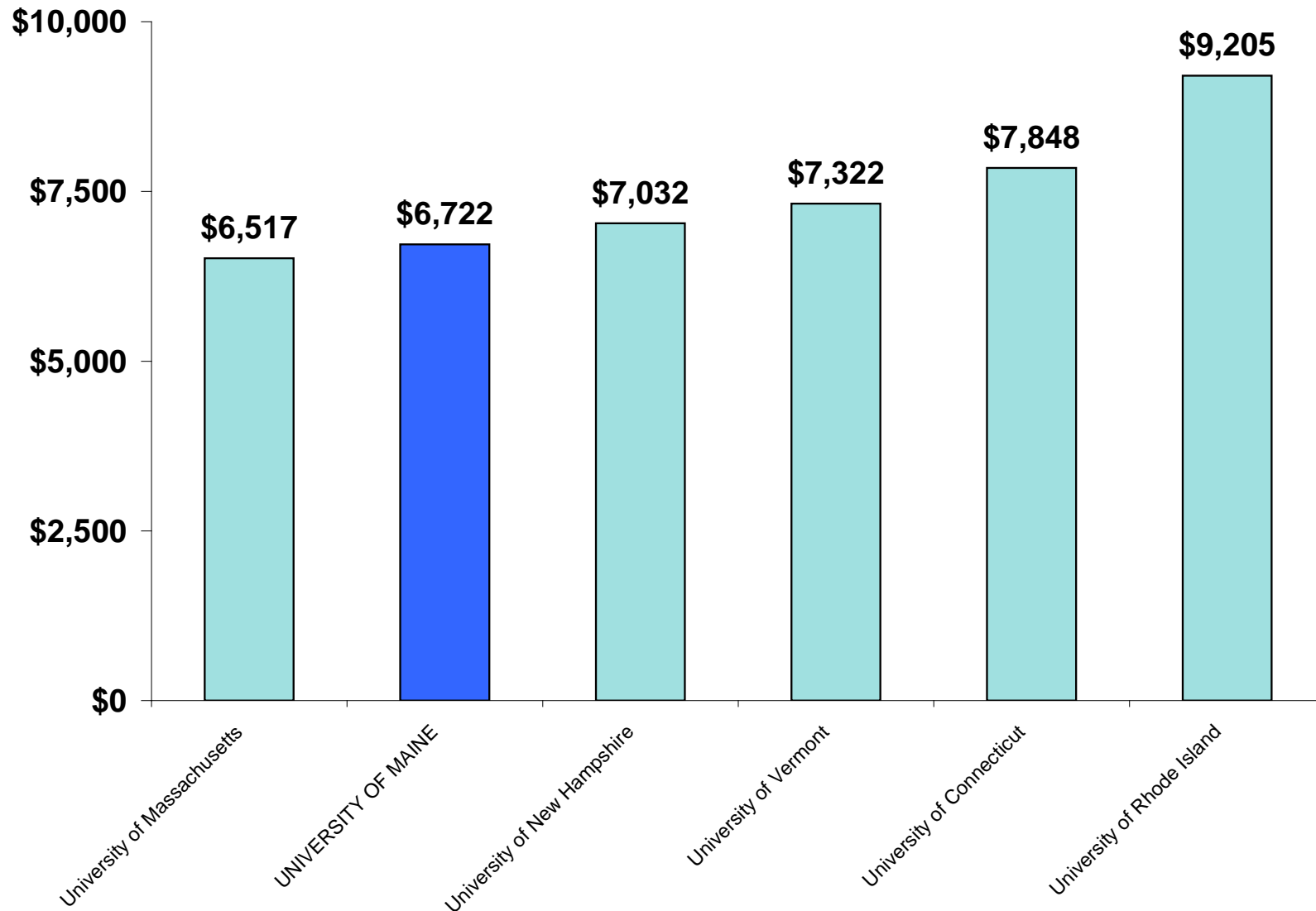


# FY06 PROPOSED ROOM & BOARD RATE INCREASES



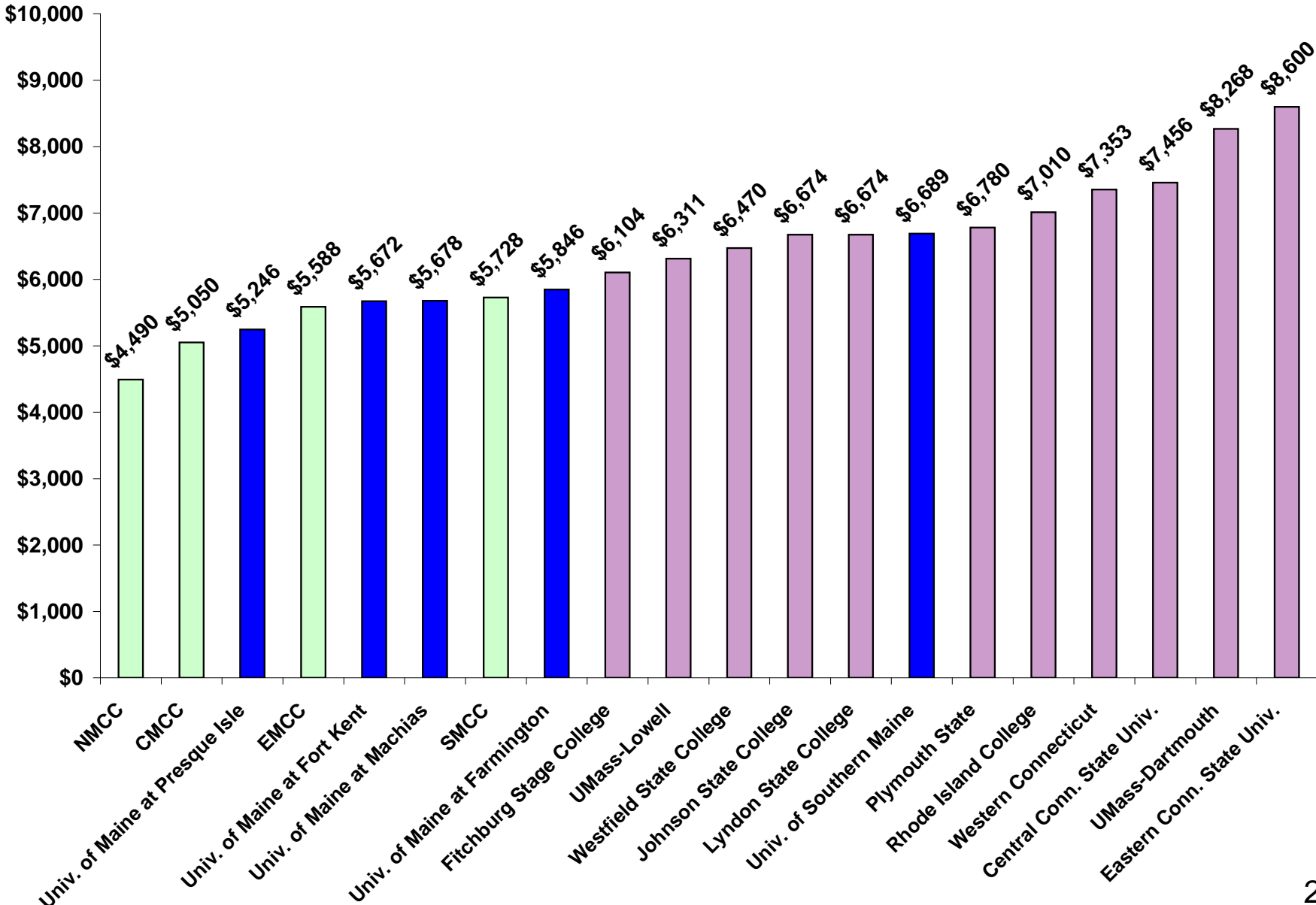
\*Reflects shift from Powell Hall to new residential hall and resulting change in suite composition

# NEW ENGLAND LAND-GRANT UNIVERSITIES ESTIMATED ROOM & BOARD FY06

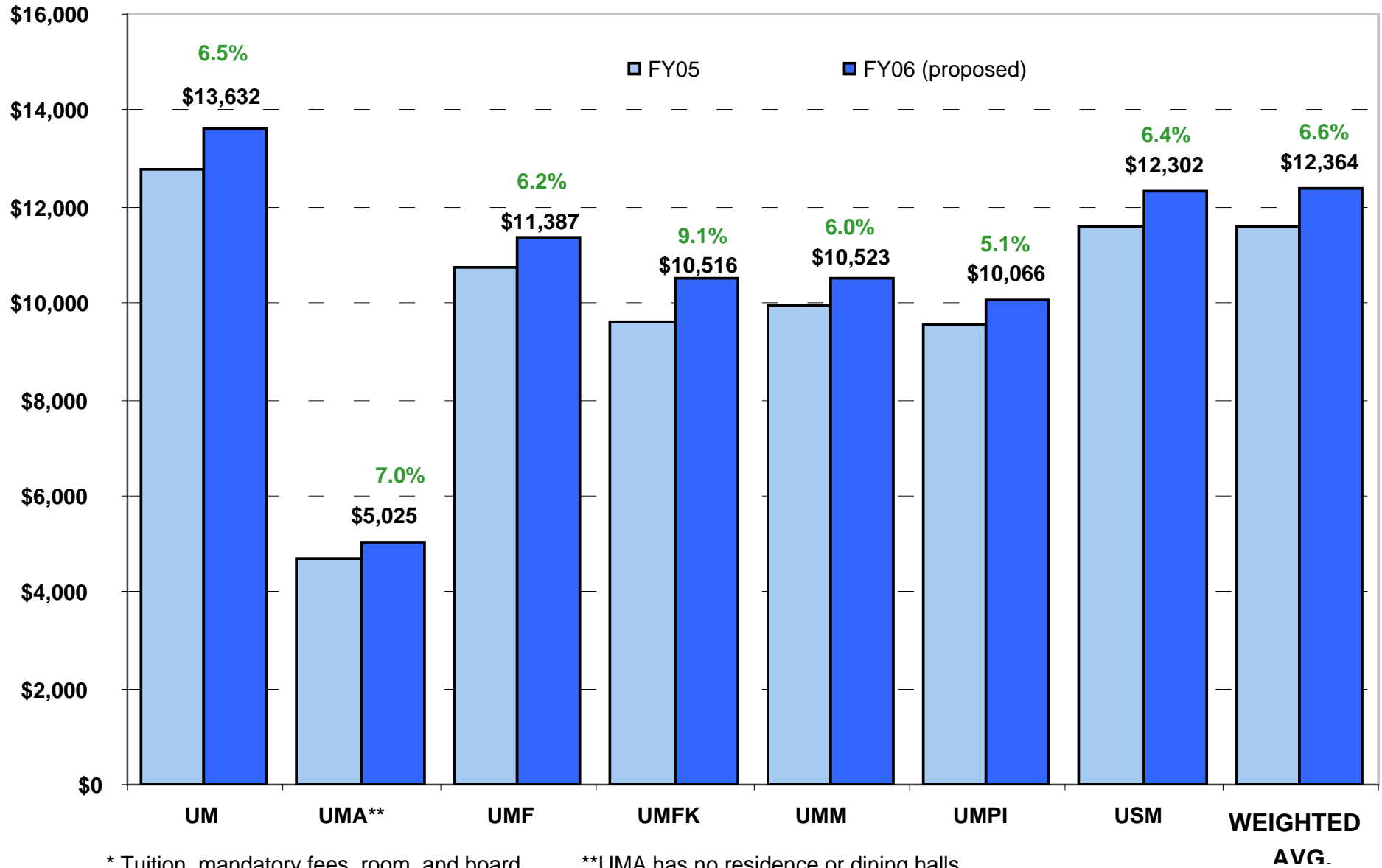


SOURCE: Telephone calls and WEB sites

# SELECTED NEW ENGLAND STATE COLLEGES & UNIVERSITIES ESTIMATED ROOM & BOARD FY06



# IN-STATE COMPREHENSIVE STUDENT COST OF EDUCATION\*



**SECTION IV**

**FINANCIAL AID**

# FINANCIAL AID COMMENTARY

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## ❖ State Aid

- Maine State Grant Program - increase \$0.5 million
- NextGen Access Scholarship – increase \$0.3 million
- NextGen Student Grant (new program) funded at \$2.0 million
- Slot Machine Income – 2% to UMS Scholarship Fund

## ❖ Federal Aid

- For FY06, UMS will receive no Perkins Federal Capital Contribution – loss of approximately \$190K
- Historically, UMS has received a guaranteed base federal aid allocation. Under the pending Reauthorization of the Higher Education Act, UMS allocation would be drastically cut. “Fair Share” would be based on national average student cost and number of UMS eligible students.
  - Scheduled to be finalized by December 2005
  - 10-year implementation proposed – tentatively begins in FY07



# FINANCIAL AID COMMENTARY (Cont'd)

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- ❖ University of Maine System Aid
  - Restricted scholarships approximately \$7 million annually
  - Unrestricted financial aid totals \$28.8 million and increased by \$2.4 million to offset increases in student charges
  
- ❖ Scannell & Kurz Strategic Financial Aid Study
  - Retained with Davis Educational Foundation funding to explore:
    - Strategic use of financial aid to attract & retain students
    - Price sensitivity of prospective & current students
    - Need for increased state and private financial aid funding
  
  - Recommendations:
    - Maximum Pell recipients – full tuition need met
    - Market guaranteed merit award of \$2,500 for full-time resident freshmen (\$5,000 for non-resident) with 1200+ SATs. Merit award in subsequent years for GPA at or above level to be determined

# FINANCIAL AID COMMENTARY (Cont'd)

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## ❖ Scannell & Kurz Strategic Financial Aid Study

### - Recommendations (cont'd):

- Guarantee a merit scholarship of \$1,500 for any full-time MCCS transfer student with 3.0+ GPA
- Increase number of transfer students through more collaboration with MCCS
- Collaborate with MCCS, FAME, and other stakeholders to launch statewide marketing campaign “Going to College Pays”
- Monitor campus tuition increases to avoid dramatic shifts in relative price position
- As high levels of unmet need contribute to attrition, should carefully review financial aid policies that would result in a reduction of grant aid to continuing students
- State of Maine must dedicate increased resources to secure access (financial aid) and quality educational opportunities (subsidy per student)

# REAUTHORIZATION OF THE HIGHER EDUCATION ACT - PROPOSED

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## FEDERAL ALLOCATIONS VS. FAIR SHARE FEDERAL WORK STUDY & SEOG (*\$ in Thousands*)

	<b>FY06 Allocation</b>	<b>Proposed Fair Share</b>	<b>Full Impact*</b>	
			<b>\$</b>	<b>%</b>
UM	\$3,467	\$1,176	(\$2,291)	(66%)
UMA	496	357	(139)	(28%)
UMF	699	232	(467)	(67%)
UMFK	246	57	(189)	(77%)
UMM	422	58	(364)	(86%)
UMPI	904	114	(790)	(87%)
USM	2,906	621	(2,285)	(79%)
<b>TOTAL</b>	<b>\$9,140</b>	<b>\$2,615</b>	<b>(\$6,525)</b>	<b>(71%)</b>

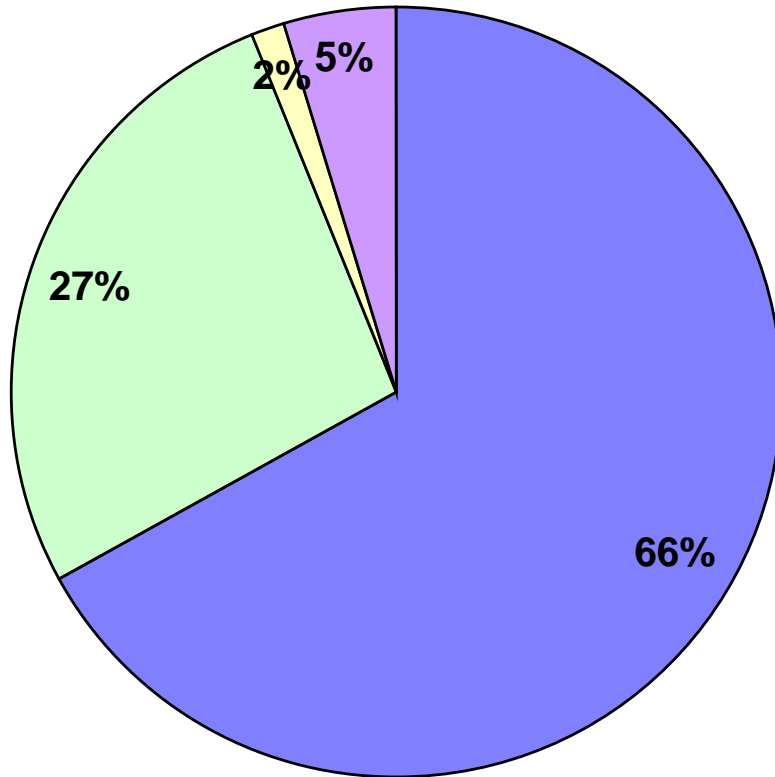
\*If implemented, will be phased in over a 10-year period - tentatively begins in FY07

# **SECTION V**

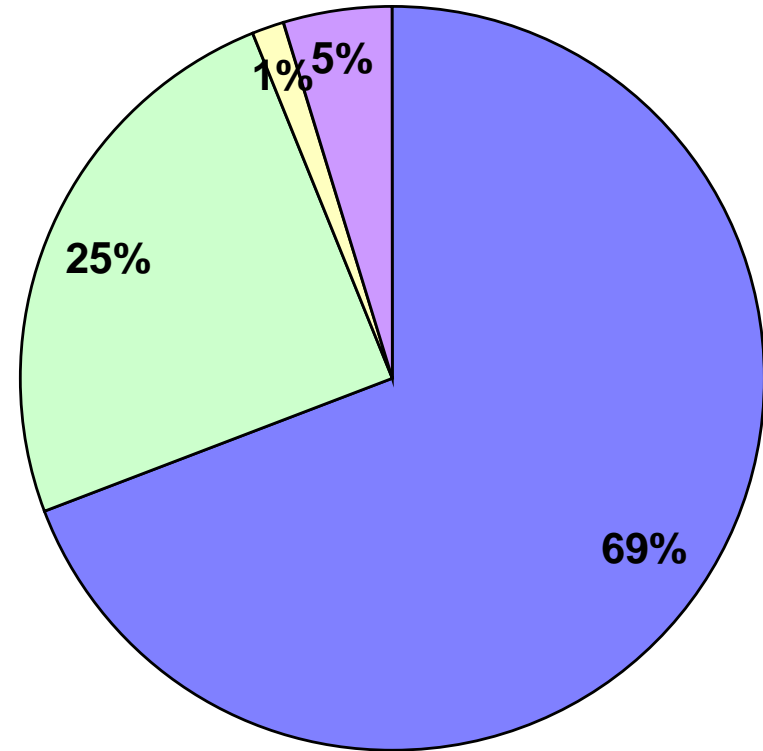
## **OPERATING EXPENSES/ EMPLOYEE FTE'S**

# UNRESTRICTED OPERATING EXPENSES

**FY05 PROJECTED**  
**\$431.3**



**FY06 BUDGET**  
**\$442.0**



■ Salaries, Wages & Benefits

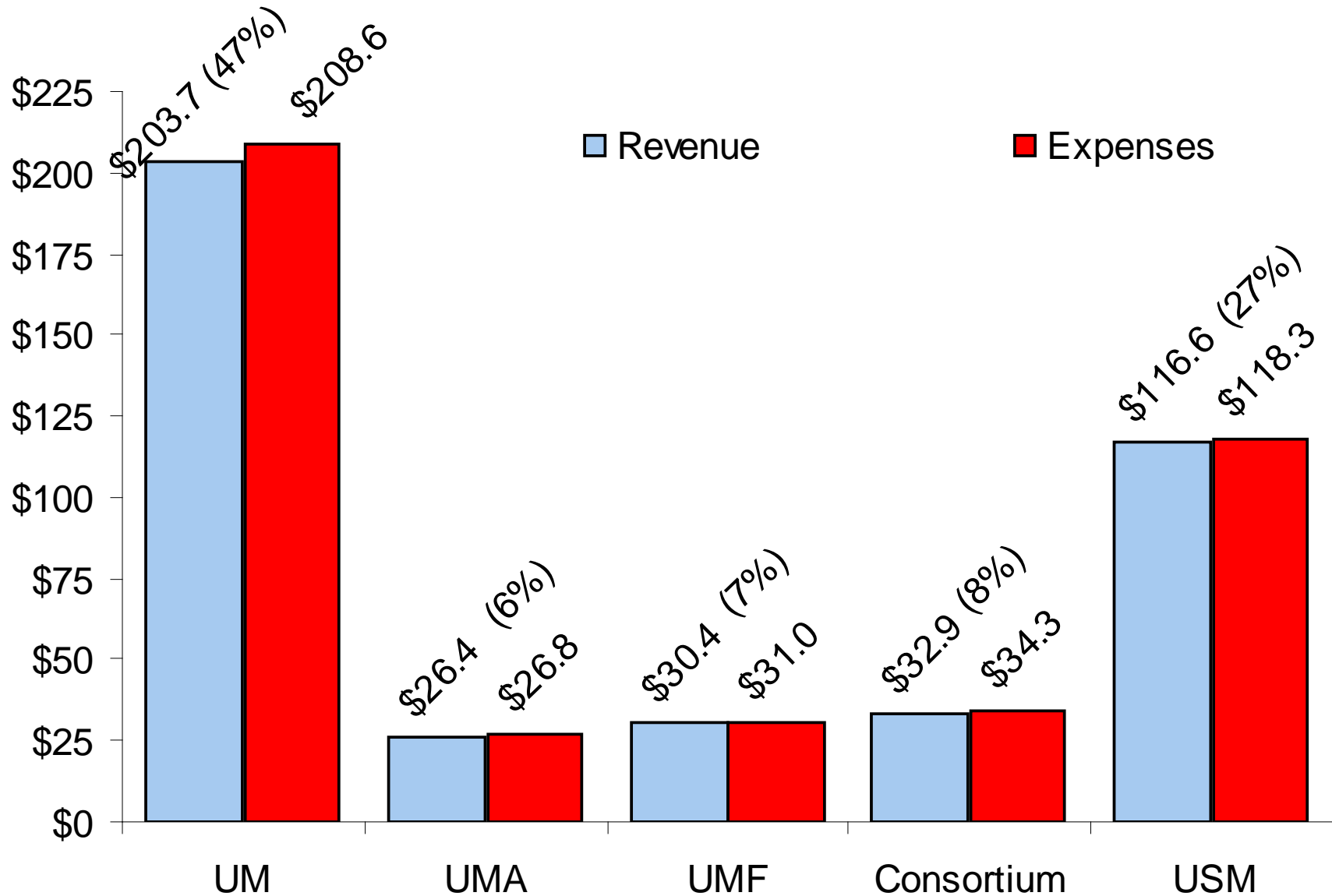
■ Goods & Services

■ Debt Service Interest

■ Depreciation

# FY06 OPERATING BUDGETS BY CAMPUS

(Excluding Restricted)



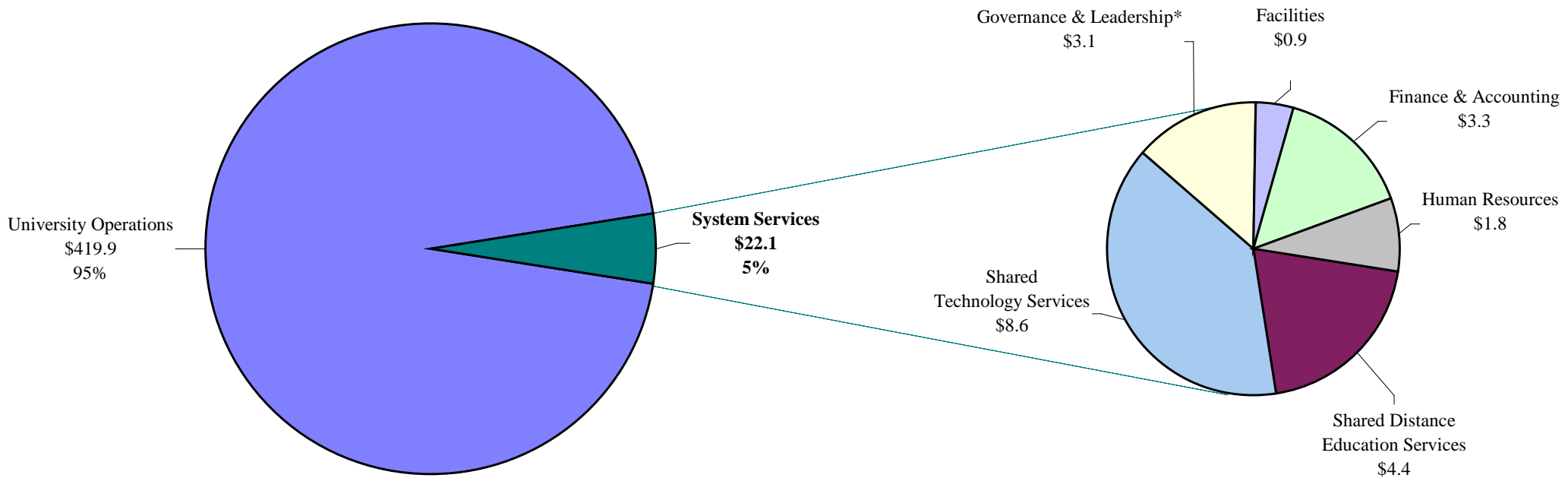
Deficit spending at all campuses represents unfunded depreciation.  
Exception: UMM budgeted cash deficit \$0.5 million

# FY06 SYSTEM SERVICES OPERATING BUDGET

## (Excluding Restricted)

**University of Maine System  
Operating Budget  
\$442.0 Million**

**System Services  
\$22.1 Million**



\*Governance & Leadership includes BOT, Chancellor, Academic & Student Affairs, University Counsel, Governmental Relations, Planning & Policy Analysis, and External Affairs

# SYSTEM SERVICES

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- ❖ Funded primarily with state appropriation and investment income
- ❖ Quantitative analysis shows services provided by the System would cost approximately \$25 million more in a decentralized organization
- ❖ For FY06, workforce management reallocation strategies implemented resulting in overall FTE decrease from 200 FTE's to 199 FTE's while providing improved services for procurement, IT support, human resources, and financial oversight (Controller)
- ❖ Strategic Direction #7 calls for further enhancement of services and potential reduction in costs
- ❖ All Bangor and selected Orono System operations will be co-located in new downtown Bangor facility resulting in increased efficiency and cost avoidance



# INCREASES IN CAMPUS OPERATING EXPENSES

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- ❖ Essential increases in compensation and benefits approximating \$11 million
  - Employee benefit rate increased from 41.4% to 43% - still doesn't reflect unrecorded costs of post-employment medical
  - Compensation increases pending bargaining
  
- ❖ Other campus specific priorities and inflationary costs:
  - Debt service and operating costs on new facilities
  - UMF four-credit initiative
  - Facility maintenance, mandatory compliance, health and safety
  - Targeted initiatives (Libraries, faculty development, marketing, fundraising, tourism and creative economy; graduate student stipends, re-accreditation funding)
  - Competitive process for determining use of unallocated portion of state appropriation
  
- ❖ Depreciation budgeted but not fully funded for E&G operations resulting in \$10 million deficit

# INCREASES IN CAMPUS OPERATING EXPENSES (Cont'd)

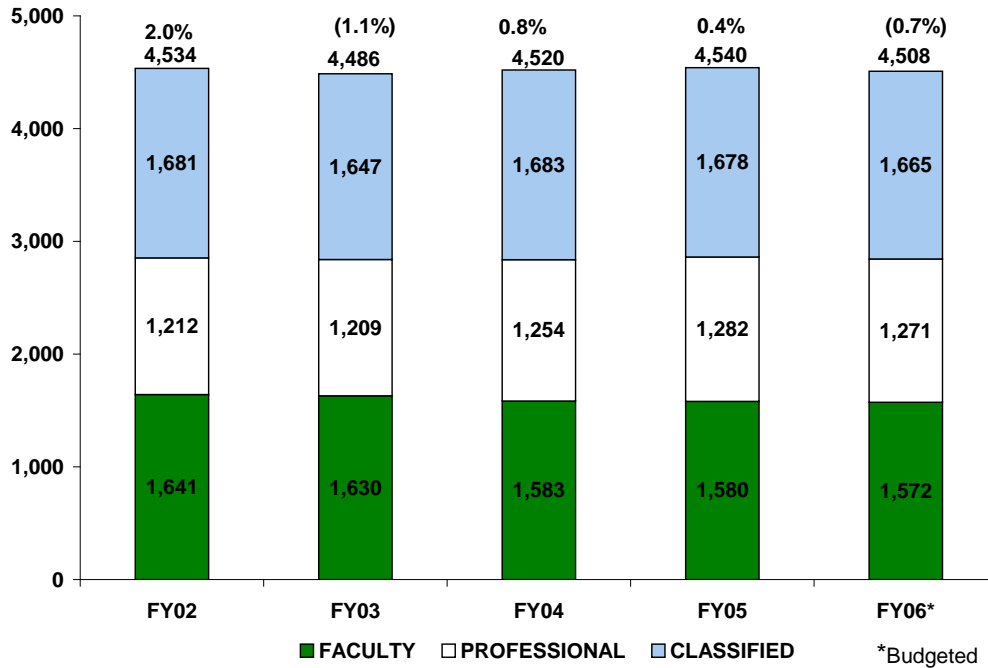
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- ❖ Workforce management required to fund priorities and minimize deficit
  - At this time, campuses have approximately 210 vacant positions providing management flexibility
  - Position Management System implemented which will provide:
    - Ability to determine and track vacant positions
    - FTE and headcount based on position
    - Total position budgeting
    - Historical view of departmental positions and incumbents
    - Tools for creating departmental organizational charts
  - As part of workforce planning, Systemwide workforce initiative established to manage attrition, vacancies, retirements, and impact of strategic plan

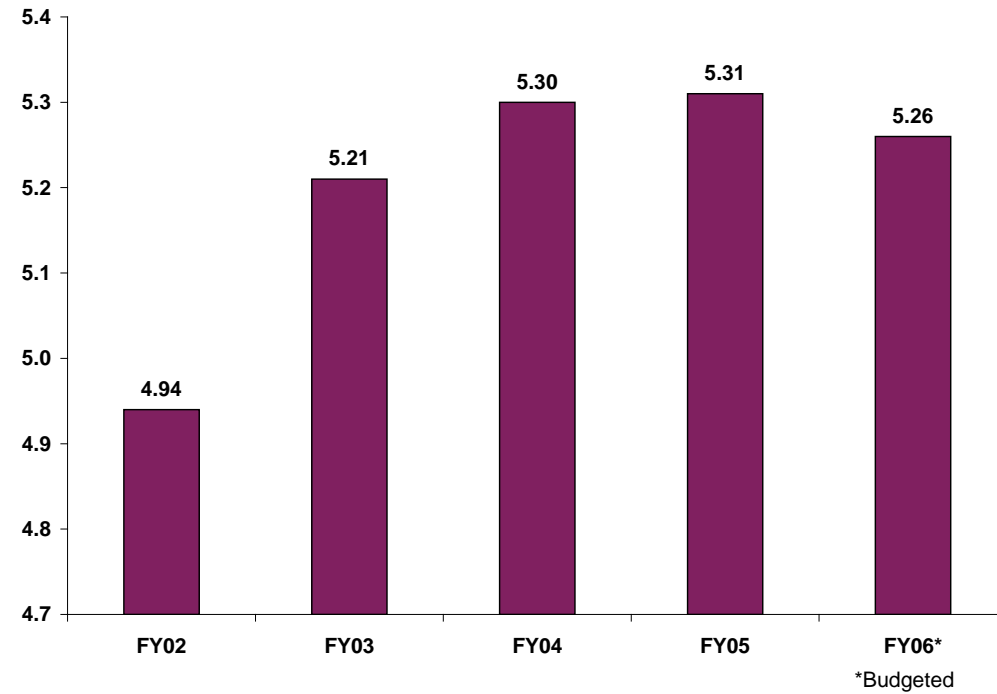
# EMPLOYEES

(Excluding Restricted Operations)

### TOTAL FTE EMPLOYEES

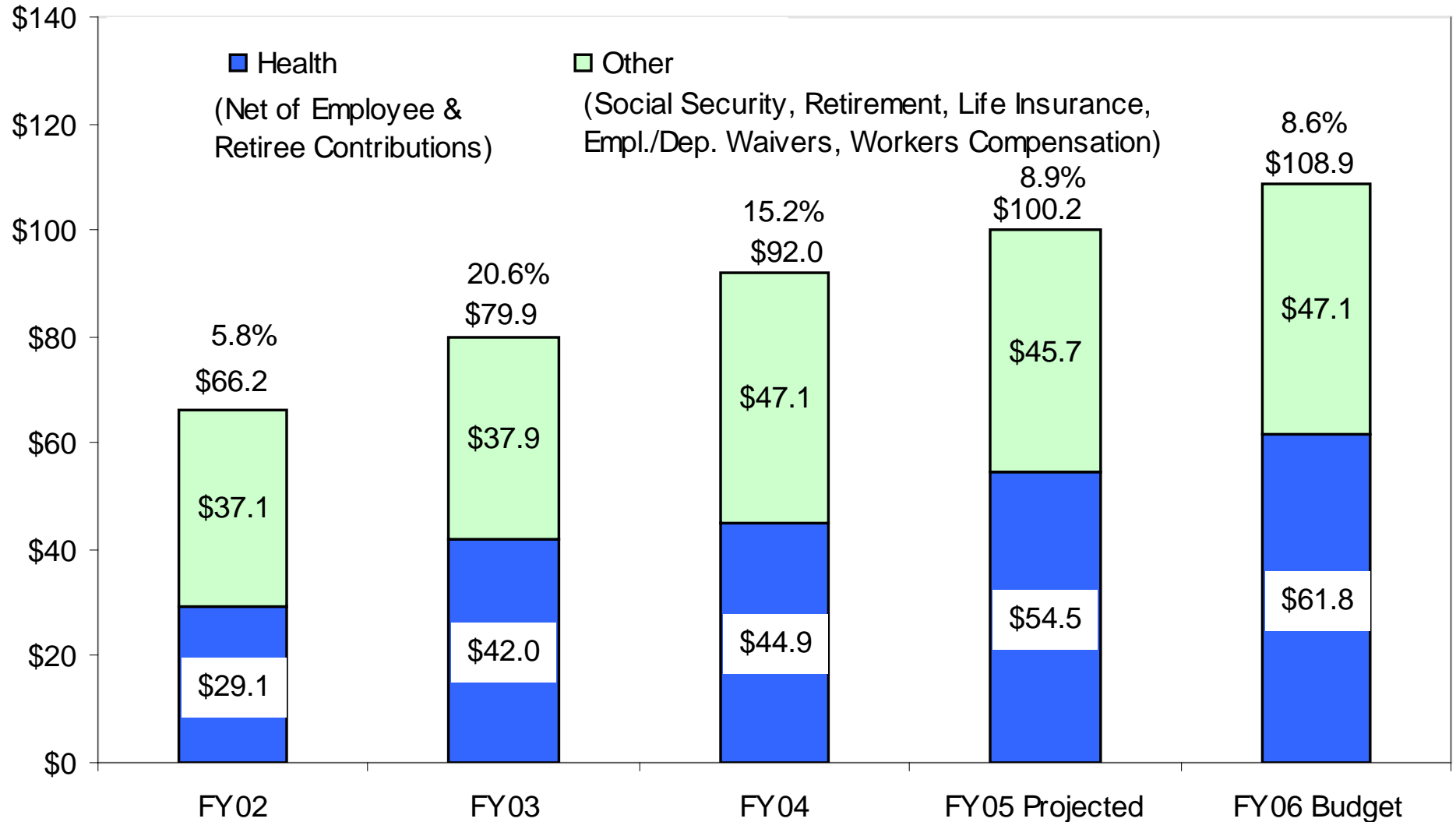


### STUDENT/EMPLOYEE FTE RATIO



- ❖ Employee unrestricted FTE relatively flat despite a 8.2% increase in enrollment and a 12.0% increase in residential capacity from FY01 to FY06

# ANNUAL % CHANGE IN EMPLOYEE BENEFITS



Excludes Post Employment Medical Liability

# POST-EMPLOYMENT MEDICAL BENEFITS

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- ❖ UMS provides medical benefits to disabled and retired employees and their spouses and dependents
- ❖ UMS has accounted for the benefits on a pay-as-you-go (cash) basis
- ❖ Governmental Accounting Standards Board (GASB) views these benefits as a form of deferred compensation – cost to be recognized when employee services are rendered
- ❖ GASB Statement 45
  - Mandates accrual accounting and actuarial valuation
  - Annual required contribution equal to cost of benefits earned in that year plus a provision for amortizing the unfunded liability over 30 years
  - Will be effective for FY08

# POST-EMPLOYMENT MEDICAL BENEFITS (Cont'd)

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- ❖ Actuarially determined unrecorded liability - \$340 million
- ❖ Current annual required contribution, net of “pay as you go”, approximately \$34 million
- ❖ UMS is reviewing strategies to reduce cost of post-employment medical benefits
  - Modify eligibility for meeting age/service threshold
  - Modify participant cost sharing and contribution structure
  - Change integration with Medicare
  - Require contributions from pre-Medicare participants determined on age-based premiums
  - Cap employer contribution at fixed dollar amount or cost level in a future year

**SECTION VI**

**CAPITAL BUDGETING**

# MAJOR APPROVED CAPITAL PROJECTS IN PROGRESS

<b>Campus</b>	<b>Project</b>	<b>Budget Cost</b>	<b>Estimated Completion (Fiscal Year)</b>	<b>Incremental Sq. Ftg.</b>
<b>UM</b>	Advanced Engineered Wood Composites/Innovation Center	\$6.0	06	14,000
	Agricultural Research Farm	1.1	06	8,000
	Aubert Hall	12.9	06	-
	Advanced Manufacturing Center	7.5	06	33,500
	Energy Projects	3.0	07	-
	Engineering & Science Complex	15.5	06	51,800
	Recreation Center	25.0	07	85,000
	Sprinklers	10.3	09	-
	Lord Hall	4.9	06	-
	Walsh Hockey Center	3.1	06	5,000
	Visual Arts Studio	1.0	08	5,000
	Colvin Hall Phase 3	0.8	06	-
	Lengyel W. Jordan Tm Fac	0.7	06	-
	<b>UMA</b>	Technology/Classroom/Student Center (Augusta Campus)	5.2	06
Jewett Projects (Augusta Campus)		0.8	06	-
<b>UMF</b>	Education Center	8.0	07	43,000
	New Residential Hall	5.7	06	36,000
	Sprinklers	0.5	06	-
	Parking Lots	0.6	06	-



# MAJOR APPROVED CAPITAL PROJECTS IN PROGRESS (Cont'd)

<b>Campus</b>	<b>Project</b>	<b>Budget Cost</b>	<b>Estimated Completion (Fiscal Year)</b>	<b>Incremental Sq. Ftg.</b>
<b>UMM</b>	Science Lab Renovations	0.2	06	-
<b>UMPI</b>	Health and Physical Education Complex	9.2	06	43,000
	Science Lab Renovations	0.4	06	-
<b>USM</b>	Bio Science Building Wing Expansion	15.6	06	25,000
	Energy Projects	2.0	06	-
	Science Lab Renovations	0.9	06	22,750
	Gorham Childcare Facility	1.5	06	6,500
	Residence Hall Gorham	21.5	06	110,000
	Lewiston-Auburn Renovation	2.0	06	-
	Muskie Institute Renewal and Expansion	9.0	07	24,000
	Sprinklers	0.9	06	-
<b>System</b>	ERP Project	13.0	09	-
	Education Technology	3.0	06	-
	System Office Relocation (funded by City of Bangor)	3.1	06	37,000
<b>TOTAL</b>		<b>\$194.9</b>		<b>594,550</b>

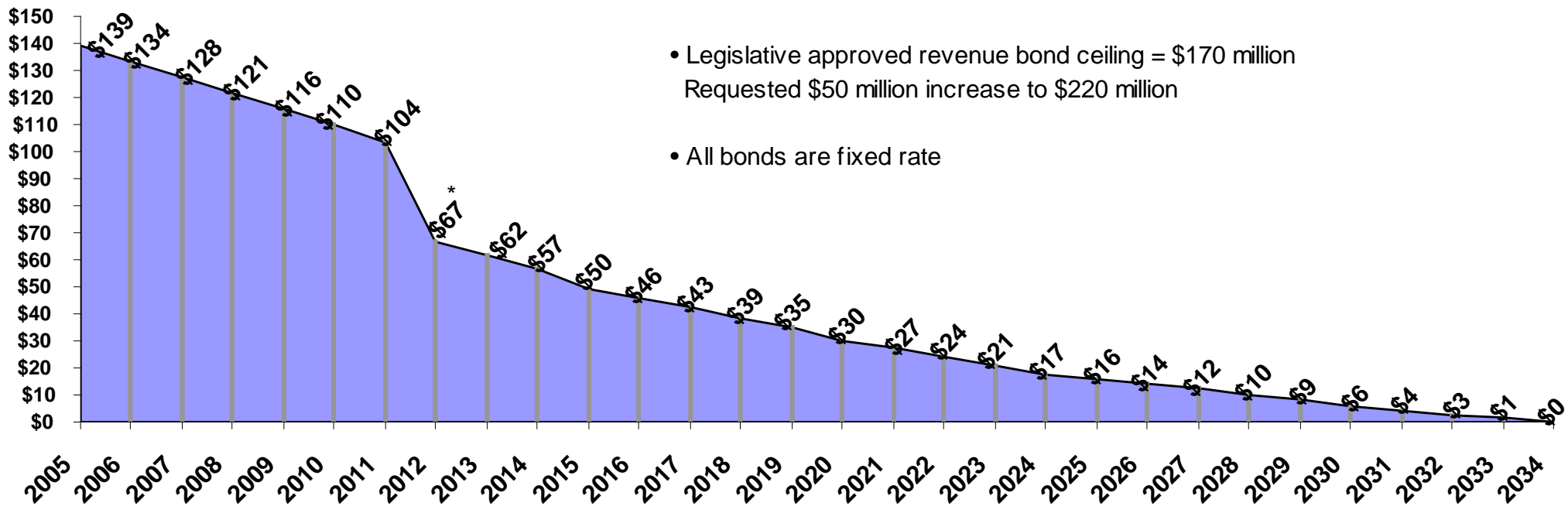
# FUNDING FOR MAJOR CAPITAL PROJECTS

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	<u>\$ IN MILLIONS</u>	<u>FUNDING TIMEFRAME</u>
STATE BONDS OR APPROPRIATIONS	\$68.1	FY01 to FY09
UMS REVENUE BONDS - ISSUED	47.6	FY01 to FY04
UMS REVENUE BONDS - UNISSUED	42.5	FY06
CITY OF BANGOR	3.1	FY06
FUNDRAISING/INTERNAL LOAN/OTHER	33.6	FY00 to FY08
TOTAL MAJOR CAPITAL PROJECTS	<u>\$194.9</u>	

# OUTSTANDING UMS REVENUE BONDS AS OF JUNE 30

(\$ in Millions)



Notes:

- Legislative approved revenue bond ceiling = \$170 million  
Requested \$50 million increase to \$220 million
- All bonds are fixed rate

\* Balloon payment which will be refinanced in 2012.

# CAPITAL BUDGETING COMMENTARY

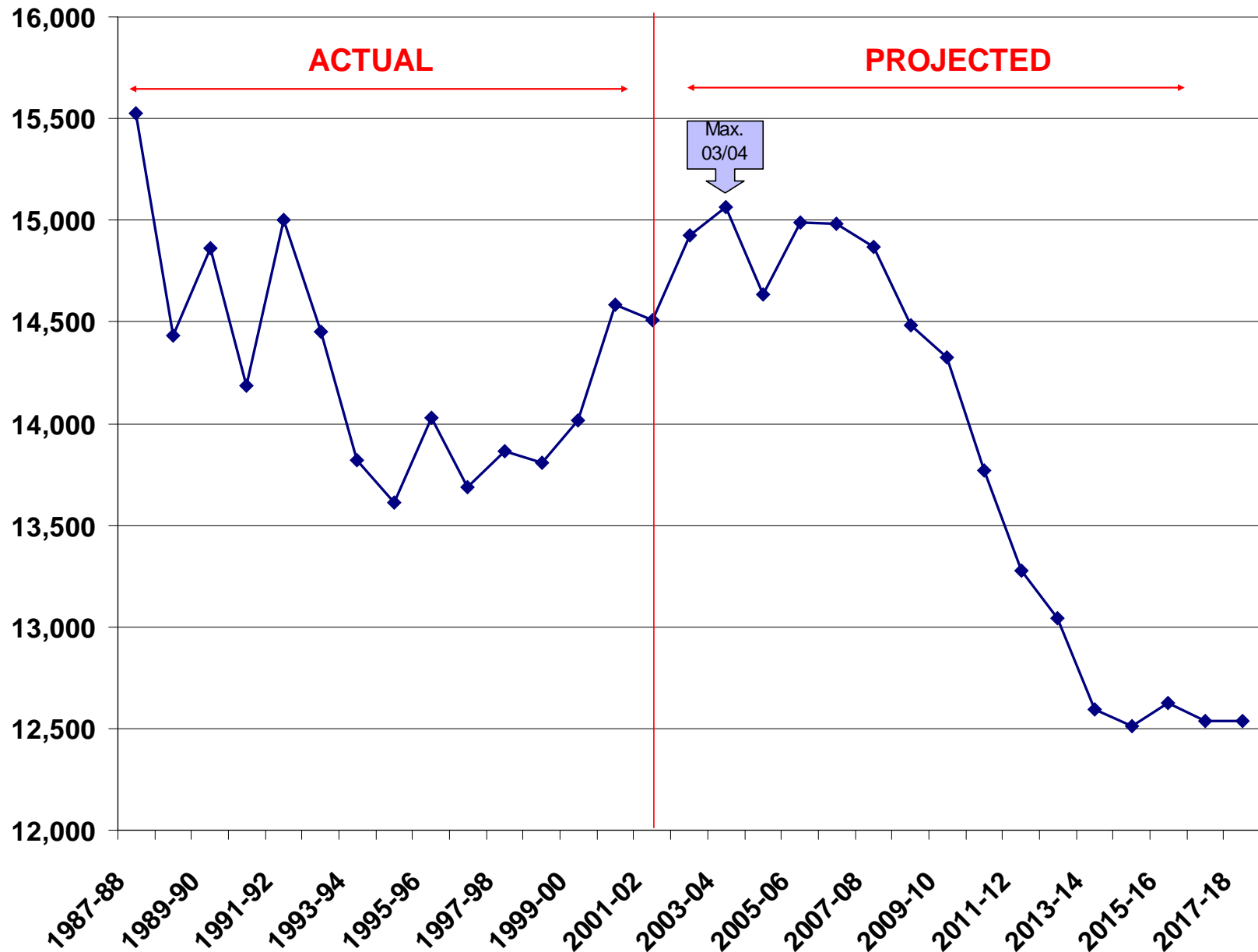
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- ❖ Greatest needs for renovation and renewal projects
  - Requested \$50 million in FY06; Governor's pending bond package included \$5 million
  - Campus budgets do not fully fund depreciation; facilities capital maintenance needs funded primarily with operating surpluses, if any
  - Accumulated needs get greater every year as annual depreciation "gap" increases
  - Facility assessment study nearly completed to determine system-wide needs
    - E&G deferred maintenance backlog of \$85 million for Priority Levels 1 & 2; \$234 million for Levels 3-6.

# **SECTION VII**

## **LOOKING LONGER TERM**

# MAINE HIGH SCHOOL GRADUATES



Source: Western Interstate Commission for Higher Education, 2003

# POPULATION PROJECTIONS

## Population Projections of 18 – 29 Year Olds by County

	<u>2000 - 2005</u>	<u>2005 - 2015</u>		<u>2000 - 2005</u>	<u>2005 - 2015</u>
<b>Androscoggin</b>	1.9%	-4.7%	<b>Oxford</b>	3.7%	-3.0%
<b>Aroostook</b>	2.0%	-4.2%	<b>Penobscot</b>	3.9%	-3.0%
<b>Cumberland</b>	4.8%	-2.3%	<b>Piscataquis</b>	-1.7%	-7.6%
<b>Franklin</b>	7.6%	0.2%	<b>Sagadahoc</b>	-1.0%	-7.0%
<b>Hancock</b>	7.6%	0.4%	<b>Somerset</b>	3.5%	-3.1%
<b>Kennebec</b>	3.5%	-3.4%	<b>Waldo</b>	11.6%	2.9%
<b>Knox</b>	10.6%	2.5%	<b>Washington</b>	5.2%	-1.7%
<b>Lincoln</b>	6.3%	-1.1%	<b>York</b>	5.3%	-1.9%
<b>Statewide</b>	4.5%	-2.5%			

Source: Maine State Planning Office, 2002

## Population Projections of 14 – 24 Year Olds in Nova Scotia and New Brunswick

<u>Nova Scotia</u>	<u>2001 - 2006</u>	<u>2006 - 2016</u>
<b>14 - 18</b>	-1.6%	-20.6%
<b>19 - 24</b>	2.7%	-6.5%
<u>New Brunswick</u>		
<b>14 - 18</b>	-3.9%	-22.4%
<b>19 - 24</b>	-3.3%	-10.2%

Source: Statistics Canada, 2003

# UMS % OF HEADCOUNT ENROLLMENT BY COUNTY BY UNIVERSITY

## FALL 2004

	<u>UM</u>	<u>UMA</u>	<u>UMF</u>	<u>UMFK</u>	<u>UMM</u>	<u>UMPI</u>	<u>USM</u>	<u>TOTAL</u>
<b>Androscoggin</b>	3.3%	8.1%	6.6%	1.0%	1.8%	1.3%	10.9%	6.6%
<b>Aroostook</b>	4.1%	2.5%	2.4%	<b>45.7%</b>	6.1%	<b>54.5%</b>	1.2%	6.6%
<b>Cumberland</b>	7.7%	3.0%	10.7%	1.4%	2.7%	1.0%	<b>42.0%</b>	<b>17.5%</b>
<b>Franklin</b>	1.6%	1.8%	<b>14.7%</b>	0.7%	1.1%	0.6%	0.8%	2.2%
<b>Hancock</b>	5.4%	4.7%	1.4%	2.1%	6.0%	1.6%	0.7%	3.2%
<b>Kennebec</b>	7.3%	<b>25.8%</b>	<b>13.0%</b>	1.8%	3.2%	1.7%	4.7%	9.2%
<b>Knox</b>	3.0%	7.3%	2.0%	1.0%	3.4%	1.5%	1.2%	2.9%
<b>Lincoln</b>	1.5%	4.5%	1.3%	1.6%	2.4%	0.7%	1.6%	2.0%
<b>Oxford</b>	2.3%	5.6%	4.8%	1.3%	2.9%	1.9%	3.3%	3.3%
<b>Penobscot</b>	<b>29.8%</b>	<b>17.5%</b>	4.9%	3.3%	5.0%	3.6%	1.5%	<b>14.0%</b>
<b>Piscataquis</b>	1.8%	1.4%	0.7%	1.4%	1.3%	0.5%	0.3%	1.1%
<b>Sagadahoc</b>	1.4%	4.1%	2.4%	0.7%	2.9%	0.7%	3.3%	2.5%
<b>Somerset</b>	3.0%	3.2%	6.3%	1.3%	1.7%	1.5%	0.7%	2.4%
<b>Waldo</b>	4.6%	3.3%	1.6%	1.1%	2.9%	1.2%	0.6%	2.6%
<b>Washington</b>	2.2%	1.6%	0.6%	1.0%	<b>35.3%</b>	1.4%	0.5%	2.5%
<b>York</b>	5.7%	2.7%	9.5%	1.8%	3.7%	0.5%	<b>18.0%</b>	9.0%
<b>Subtotal</b>	<u>84.6%</u>	<u>97.4%</u>	<u>82.9%</u>	<u>67.2%</u>	<u>82.3%</u>	<u>74.2%</u>	<u>91.2%</u>	<u>87.6%</u>
<b>Canada</b>	<u>0.7%</u>	<u>0.1%</u>	<u>0.0%</u>	<u><b>24.9%</b></u>	<u>2.4%</u>	<u><b>23.5%</b></u>	<u>0.2%</u>	<u>2.3%</u>



# BUDGET - STRATEGIC PLAN INVESTMENTS

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## Strategic Direction

## Investments Considered in FY06 Budget Process

- |                                       |  |
|---------------------------------------|--|
| 1. Rigorous academic program planning | Tourism; financial aid; strengthen UMF liberal arts mission (four-credit initiative); bills pending for nursing, teacher development centers, and graduate School of Biomedical Sciences |
| 2. High-quality faculty               | Compensation increases; graduate student stipend increases; bill pending to promote math and science education   |
| 3. Distance Education                 | State IT bond used for ITV upgrades  |
| 4. Library resources                  | E-rate increased to fund digital library; shortfall in Fogler Library and coordination function funded   |

# BUDGET - STRATEGIC PLAN INVESTMENTS (Cont'd)

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<u>Strategic Direction</u>	<u>Investments Considered in FY06 Budget Process</u>
5. Research activity	State bond bill pending for increased MEIF research funds for: <ul style="list-style-type: none"><li>-Franklin USDA aquaculture R&amp;D facility (UM)</li><li>-Biomedical Research Triangle (UM)</li><li>-Biosciences Institute (USM)</li><li>-Laboratory Surface Science Technology (UM)</li></ul>
6. Performance measures, accountability	New budget process to be determined
7. Centralization	Implement PeopleSoft Financials, admissions, business process redesign, IT initiatives. Savings in short run primarily cost avoidance
8. Reorganization	UMA reorganization on hold. Savings from streamlining University College
9. Advancement & Advocacy	New position for consortium funded; shared recruiting; strategies with technology improvements. Campus investments in marketing, development

# OVERALL FOR FY06

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- ❖ Filled with uncertainties
- ❖ Budget nearly balanced (except for depreciation)
- ❖ Modest tuition and fee increases
- ❖ Compensation increases
- ❖ Deferred maintenance unfunded

# CONTINGENCY PLANNING

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- ❖ If passed, LD 663 would require a 5% reduction in state government
- ❖ State appropriation to UMS (including R&D) would be reduced by approximately \$9.2 million
- ❖ Possible actions to compensate for this reduction could include:
  - Up to an additional 9% increase in tuition
  - Reduction in student financial aid
  - No employee compensation increases
  - Work force reduction of up to 155 employees
  - Increase employee share of health costs
  - Facilities maintenance reduction (deferred maintenance already at \$320 million)
  - No improvements to technology infrastructure
  - No strategic investments as required by strategic plan
  - Reduction in research & development
  - Pervasive reorganization of the System