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*Maine's
Public
Universities*

UNIVERSITY OF MAINE SYSTEM

FY2008 OPERATING BUDGET
&
STUDENT CHARGES
Revised June 14, 2007*

***Reflects additional state appropriation received subsequent to May 2007 BOT meeting**

SECTION I

FY08 BUDGET THEMES

FY08 BUDGET THEMES

- ❖ **Very difficult to balance budgets!**
- ❖ **Continued greater dependency on student charges; less on state appropriation**
 - **Appropriation increase – 4.6%**
 - **In-state weighted average tuition increase – 9.8%**
- ❖ **Investments in longer-term strategic initiatives**
 - **Funding provided by cost reductions/reallocations**

SECTION II

FY08 OPERATING BUDGET

FY08 SYSTEM BUDGET PROCESS

- ❖ Campuses prepared multiple budget scenarios with varying tuition rates and expense assumptions
- ❖ Budget hearings held with Chancellor, CFO, and other senior staff
- ❖ This process determined the lowest tuition increase necessary to ensure quality and fund inflationary costs given Governor's proposed appropriation

FY08 SYSTEM BUDGET DEVELOPMENT SCHEDULE

| | 2006 June | Sept | 2007 Jan | Apr | May |
|---|----------------------|-------------|---------------------|------------------|--------------|
| Campuses prepared FY08 - FY11 structural gap analysis | 20 | | | | |
| Biennium request submitted to Governor | | 12 | | | |
| Governor's budget announced | | | 5 | | |
| Presidents' Council meets to discuss FY2008 budget process & parameters | | | 11 | | |
| Legislative budget review | | | ←————→ | | |
| Board of Trustee discussion of FY2008 budget parameters | | | 21-22 | | |
| Presidents review budgets with Chancellor | | | | 4/2 - 4/6 | |
| Presidents' Council review of consolidated budget | | | | 24 | |
| Trustee Finance Committee reviews draft budget & student charges | | | | | 1 |
| Trustees approve budget and student charges for FY2008 | | | | | 20-21 |

FY08-FY09 E&G BIENNIUM REQUEST

(excluded MEIF)

| | <u>FY07</u> | <u>FY08</u> | | | <u>FY09</u> | | |
|----------------------------------|-----------------|-----------------|----------------|-----------------|-----------------|----------------|--------------|
| | | <u>Increase</u> | | <u>Increase</u> | | | |
| | | <u>Total</u> | <u>\$</u> | <u>%</u> | <u>Total</u> | | <u>\$</u> |
| UMS Biennium Request* | \$ 177.7 | \$ 192.5 | \$ 14.8 | 8.3% | \$ 214.1 | \$ 21.6 | 11.2% |
| Final State Appropriation | \$ 177.7 | \$ 185.7 | \$ 8.0 | 4.6% | \$ 189.1 | \$ 3.4 | 1.9% |

*Assumptions: Inflationary tuition & fee increases, ongoing efficiency initiatives, flat enrollment

Cost Drivers: Wages & benefits, current employee & retiree healthcare, financial aid, energy, deferred maintenance

FY08 OPERATING BUDGET

(Excluding Restricted)

| | FY06 | | FY07 | | FY08 Proposed | |
|-------------------------------------|-----------------------|-------------|-----------------------|-------------|------------------------|-------------|
| | Actual | | Forecast | | Budget | |
| <u>Revenues</u> | | | | | | |
| Tuition & Fees | \$182.6 | 40% | \$197.6 | 42% | \$210.7 | 43% |
| Less: Waivers/Scholarships | (28.1) | (6%) | (31.3) | (7%) | (35.6) | (7%) |
| Net Tuition & Fees | 154.5 | 34% | 166.3 | 35% | 175.1 | 36% |
| State Appropriation (excludes MEIF) | 171.0 | 37% | 177.7 | 38% | 185.7 | 38% |
| Interest Income/Gift Revenue | 8.5 | 2% | 8.0 | 2% | 5.5 | 1% |
| Indirect Cost Recovery | 14.0 | 3% | 12.4 | 3% | 11.8 | 2% |
| Sales/Services/Auxiliary | 108.5 | 24% | 103.6 | 22% | 110.6 | 23% |
| Total Net Revenues | <u>\$456.5</u> | <u>100%</u> | <u>\$468.0</u> | <u>100%</u> | <u>\$488.7</u> | <u>100%</u> |
| <u>Expenses</u> | | | | | | |
| Compensation & Benefits | \$286.7 | 62% | \$309.1 | 65% | \$334.9 | 67% |
| Utilities | 25.8 | 6% | 28.1 | 6% | 28.8 | 6% |
| Interest | 6.3 | 1% | 6.9 | 1% | 9.5 | 2% |
| Other/Depreciation | 117.3 | 26% | 111.9 | 24% | 113.5 | 23% |
| Matches/Transfers | 21.4 | 5% | 18.1 | 4% | 18.6 | 4% |
| Undetermined Cuts | - | - | - | - | (6.4) | (2%) |
| Total Expenses | <u>\$457.5</u> | <u>100%</u> | <u>\$474.1</u> | <u>100%</u> | <u>\$498.9</u> | <u>100%</u> |
| Operating Loss | <u><u>(\$1.0)</u></u> | | <u><u>(\$6.1)</u></u> | | <u><u>(\$10.2)</u></u> | |
| <u>Cash Flow</u> | | | | | | |
| Operating Loss | (\$1.0) | | (\$6.1) | | (\$10.2) | |
| Plus Depreciation | 20.2 | | 21.6 | | 23.1 | |
| Less: Capital Expenditures | (6.3) | | (6.0) | | (5.0) | |
| Debt Service Principal | (7.4) | | (7.7) | | (8.2) | |
| Net Change | <u><u>\$5.5</u></u> | | <u><u>\$1.8</u></u> | | <u><u>(\$0.3)</u></u> | |

FY08 OPERATING BUDGETS BY UNRESTRICTED FUND

(Excluding Restricted)

| | <u>E&G</u> | | <u>Auxiliary</u> | | <u>Total</u> | |
|-------------------------------------|-----------------------|-------------|-----------------------|-------------|------------------------|-------------|
| <u>Revenues</u> | | | | | | |
| Tuition & Fees | \$210.7 | 53% | | | \$210.7 | 43% |
| Less: Waivers/Scholarships | (34.1) | (8%) | (1.5) | (2%) | (35.6) | (7%) |
| Net Tuition & Fees | 176.6 | 45% | (1.5) | (2%) | 175.1 | 36% |
| State Appropriation (excludes MEIF) | 185.7 | 46% | | | 185.7 | 38% |
| Interest Income/Gift Revenue | 5.5 | 1% | | | 5.5 | 1% |
| Indirect Cost Recovery | 11.8 | 3% | | | 11.8 | 2% |
| Sales/Services/Auxiliary | 21.1 | 5% | 89.5 | 102% | 110.6 | 23% |
| Total Net Revenues | <u>\$400.7</u> | <u>100%</u> | <u>\$88.0</u> | <u>100%</u> | <u>\$488.7</u> | <u>100%</u> |
| <u>Expenses</u> | | | | | | |
| Compensation | \$311.7 | 76% | \$23.2 | 26% | \$334.9 | 67% |
| Utilities | 19.1 | 5% | 9.7 | 11% | 28.8 | 6% |
| Interest | 3.4 | 1% | 6.1 | 7% | 9.5 | 2% |
| Other/Depreciation | 65.9 | 16% | 47.6 | 54% | 113.5 | 23% |
| Matches/Transfers | 16.6 | 4% | 2.0 | 2% | 18.6 | 4% |
| Undetermined Cuts | (6.4) | (2%) | - | - % | (6.4) | (2%) |
| Total Expenses | <u>\$410.3</u> | <u>100%</u> | <u>\$88.6</u> | <u>100%</u> | <u>\$498.9</u> | <u>100%</u> |
| Operating Loss | <u><u>(\$9.6)</u></u> | | <u><u>(\$0.6)</u></u> | | <u><u>(\$10.2)</u></u> | |
| <u>Cash Flow</u> | | | | | | |
| Operating Loss | (\$9.6) | | (\$0.6) | | (\$10.2) | |
| Plus Depreciation | 19.0 | | 4.1 | | 23.1 | |
| Less: Capital Expenditures | (4.0) | | (1.0) | | (5.0) | |
| Debt Service Principal | (5.4) | | (2.8) | | (8.2) | |
| Net Change | <u><u>(\$0.0)</u></u> | | <u><u>(\$0.3)</u></u> | | <u><u>(\$0.3)</u></u> | |

FY08 OPERATING BUDGETS BY CAMPUS

(Excluding Restricted)

| | <u>UM</u> | <u>UMA</u> | <u>UMF</u> | <u>UMFK</u> | <u>UMM</u> | <u>UMPI</u> | <u>USM</u> | <u>SWS</u> | <u>Total</u> |
|----------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|-----------------|
| <u>Revenues</u> | | | | | | | | | |
| Net Tuition & Fees | \$72.5 | \$16.1 | \$14.6 | \$6.1 | \$3.8 | \$6.0 | \$55.5 | \$0.5 | \$175.1 |
| State Appropriation | 88.7 | 10.4 | 10.8 | 4.5 | 4.5 | 6.8 | 44.0 | 16.0 | 185.7 |
| Other Income | 71.2 | 2.5 | 9.5 | 2.0 | 2.3 | 2.7 | 32.0 | 5.7 | 127.9 |
| Total Net Revenues | <u>\$232.4</u> | <u>\$29.0</u> | <u>\$34.9</u> | <u>\$12.6</u> | <u>\$10.6</u> | <u>\$15.5</u> | <u>\$131.5</u> | <u>\$22.2</u> | <u>\$488.7</u> |
| <u>Expenses</u> | | | | | | | | | |
| Compensation & Benefits | \$145.8 | \$21.4 | \$24.0 | \$8.3 | \$7.4 | \$11.3 | \$100.6 | \$16.1 | \$334.9 |
| Utilities | 15.1 | 1.1 | 2.2 | 0.8 | 0.9 | 1.2 | 6.1 | 1.4 | 28.8 |
| Other/Depreciation | 79.0 | 7.0 | 9.1 | 3.7 | 2.8 | 3.5 | 30.6 | 5.9 | 141.6 |
| Undetermined Cuts | (2.7) | - | - | - | - | - | (3.7) | - | (6.4) |
| Total Expenses | <u>\$237.2</u> | <u>\$29.5</u> | <u>\$35.3</u> | <u>\$12.8</u> | <u>\$11.1</u> | <u>\$16.0</u> | <u>\$133.6</u> | <u>\$23.4</u> | <u>\$498.9</u> |
| Operating Loss | <u>(\$4.8)</u> | <u>(\$0.5)</u> | <u>(\$0.4)</u> | <u>(\$0.2)</u> | <u>(\$0.5)</u> | <u>(\$0.5)</u> | <u>(\$2.1)</u> | <u>(\$1.2)</u> | <u>(\$10.2)</u> |
| <u>Cash Flow</u> | | | | | | | | | |
| Operating Loss | (\$4.8) | (\$0.5) | (\$0.4) | (\$0.2) | (\$0.5) | (\$0.5) | (\$2.1) | (\$1.2) | (\$10.2) |
| Plus Depreciation | 12.2 | 0.8 | 1.3 | 0.5 | 0.5 | 0.6 | 5.0 | 2.2 | 23.1 |
| Less: Capital Expenditures | (3.2) | (0.1) | (0.4) | (0.1) | (0.1) | - | (0.7) | (0.4) | (5.0) |
| Debt Service Principal | (4.2) | (0.2) | (0.5) | (0.2) | (0.2) | (0.1) | (2.2) | (0.6) | (8.2) |
| Net Change | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>(\$0.3)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>(\$0.3)</u> |

UM BUDGET HIGHLIGHTS

Financial

- **FY08 base budget is balanced through a combination of increase in state appropriation, increase in credit hour growth and tuition, and reduction in expenditures through initial elimination of planned expenditures and assigned cuts on campus.**
- E&G cuts in FY08 of \$2.7 million (3%). Repeated cuts. FY07 cut was \$2.8 million (3.12%).
- Position eliminations, reductions in support costs, increased energy conservation efforts, and program consolidation.
- Expenditures not funded at appropriate levels include operational costs, individual programmatic structural deficits, and facilities maintenance and depreciation.
- 9.5% tuition increase; 17% mandatory fee increase - primarily associated with new Recreation Center fee.
- Tuition waivers and scholarships increase of 13.3% to offset tuition and fee increases.
- Fall 08 enrollment is 1.1% over Fall 07 but is .83% below actual FY07 credit hour growth.
- Room and Board increase at 5%.
- **The short and long-term financial challenge is to find a solution to chronic revenue shortfalls through a sustainable business model.**
- **Significant success in campus-wide efficiency efforts**
 - Workforce management
 - Energy management
 - Dining, other auxiliary services
 - Effective outsourcing
 - Organizational consolidations
 - Town/gown relations
 - Academic management
 - Facility benchmarking

UM BUDGET HIGHLIGHTS

Strategic

- Looking at growth model to include:
 - Extensive academic strategic planning
 - Stabilizing the existing financial condition
 - Assessment of existing capacity
 - Increase retention to include the Transitions Program and First-Year Resident Living-Learning Program
 - Strengthen private fund-raising efforts
 - Increase net tuition
 - Maximize use of financial aid
 - Academic program improvements and departmental consolidations
 - Expansion in Academic programs such as the Hutchinson Center
 - Improvements in student support and learning – Student Recreation Center and Student Innovation Center
 - Strong capital planning and increased facility renovation and construction
 - Targeted student recruitment
 - Realignment of financial resources to reflect enrollment changes
 - Addition of targeted faculty and staff positions
- Academic collaborative efforts
 - Doctoral programs for faculty at the Community Colleges
 - UMA/Hutchinson Center
 - Graduate School of Biomedical Sciences (GSBS)
 - Maine Institute for Human Genetics and Health (MIHGH)
- Development/Fundraising staffed to meet needs of comprehensive 5-year campaign
- Research and economic development

UM BUDGET HIGHLIGHTS

Challenges

- Need to provide appropriate levels of compensation
- Deferred Maintenance
 - Should be budgeting \$16 million annually; currently budgeting \$3.5 million
 - Average age of facilities is 39.5 years old
- Need to build reserves given all the uncertainties
- Enrollment growth given declining demographics
- Strengthening emergency security efforts

UMA BUDGET HIGHLIGHTS

Financial

- Enrollment flat
- Sources to balance budget and provide funding for transition to BA programs
 - Proposed tuition increase 10.8%
 - Mandatory fee increase of 4.1%
 - Approx. \$200K reallocations/reductions
- Financial reserves are adequate

Strategic

- LD 898 for BA program transition would provide additional funding, if passed
 - Nursing
 - Education
 - Veterinary Technician
 - Graduate (from UM and USM)
- New Dean of Enrollment Services
 - Recruiting and retention
 - Preparation for transition to new student information system
 - Assist in achieving strategic planning goals
- Tuition/Financial aid multi-year strategy
 - Tuition increases same per credit hour as USM's
 - Maximize use and availability of need-based aid

Challenges

- Transition to baccalaureate programming with limited funding
- Fund-raising efforts
- Revenue from off-campus centers
 - Loss of revenue from Calais Center
 - 23% of UMA's revenue is dependent upon access to Centers that UMA does not administratively control
- Historical approach to allocation of resources
 - Allocation of Centralized Services costs need to match the allocation of new resources

UMF BUDGET HIGHLIGHTS

Financial

- In-state tuition up 12.1%; out-of-state 5%; unified fee 10%
 - In-state tuition targeted to be below 20% of Maine per capita income
 - Out-of-state enrollments account for 18% of the enrollments and 31% of the tuition revenues
 - Cost reductions of approximately \$180K have been factored into tuition increase in order to balance budget
- Enrollment cap of 2000 will be maintained
- Reserves sufficient to meet \$500K crisis; insufficient to fund major renovations and upgrades

Strategic

- Multi-year financial planning efforts underway to support UMF’s strategic planning
 - Less dependency on state; more dependency on net tuition increases, growth in out-of-state, fund-raising efforts
 - Key monitoring indicators
 - Financial aid would increase substantially, targeted for neediest students
 - Annual investments internally funded of up to \$500K to enhance the mission
- Programmatic improvements/initiatives to meet student needs
 - 4-credit conversion a success; e.g., avg. credit hour load increased from 13.5 to 15.7 credit hours
 - Further development of residential components of the mission
- “Campaign for UMF” will be launched this year

Challenges

- Renovation of science labs, Franklin Hall, energy efficiencies
- Funding to fully achieve the public liberal arts college mission
- Repositioning UMF – the value of a UMF education is worth the increased costs

UMFK BUDGET HIGHLIGHTS

Financial

- Enrollment goal – 8% increase above FY07 budgeted enrollment
- Sources to balance budget
 - Proposed tuition increase 9.7%; room & board flat
 - Unified fee increase of 12.5% (\$2.00 per credit)
 - Promoting conservation and waste reduction – Northern Maine has only one electrical power provider; UMFK received a 77.9% increase for FY08
- Goal is to rebuild reserves to at least \$500K

Strategic

- Encourage on-campus residency – scholarship for residency
- Programmatic Improvements/Initiatives
 - Master's Program in Education begins Fall 07
 - Master's Programs for Nursing/Business in future
 - Strengthen Annual Fund

Challenges

- Preserve access to high-quality, small class-size academic environment in the context of declining State funding on a per student basis
- Need additional classroom space and staffing
- Increase residential population

UMM BUDGET HIGHLIGHTS

Financial

- 9% increase in new students, resulting in level enrollment
- Proposed in-state increase – 9.7%; out-of-state tuition increase – 12.9%
- Auxiliary operations operating at a gradually shrinking deficit
 - Residence halls at 67% capacity – need to be at 93% (100 additional students)
 - Childcare Center – Weekly state subsidy - \$36 per child below cost to provide care
 - Fitness Center community membership maximized
- Projected accumulated deficit as of June 30, 2007 – approximately \$1 million

Strategic

- Expanded outreach in Washington County through collaboration with WCCC and new Director of Continuing and Distance Education
- Monitoring unmet financial need to improve student retention
- Improved focus on alumni relations, annual fund, and donor base
- Enhanced marketing and public relations
 - Web redesign
 - Redesign of student recruitment materials and processes
 - Signage, landscaping, traffic flow plan

Challenges

- Increasing full-time, out-of-state, and residential student enrollment
- Hiring additional full-time faculty

UMPI BUDGET HIGHLIGHTS

Financial

- 2% increase in Fall first-time, first-year students; 1% increase above FY07 budgeted Fall FTE
- 9.7% tuition increase; no increase in mandatory fees
- Community college lower tuition rates
- Cost reduction through conservation efforts
 - Electrical upgrades to reduce consumption/cost
 - Invest in the design of turbines for wind power – goal of +\$100K in annual savings
- Reserves are adequate

Strategic

- Maintain quality programs with reasonable tuition cost to compete with NMCC (2 miles from UMPI)
- Federal financial aid matching requirement waived - \$200K
- Continue building community relations
- Increase focus beyond the Canadian certification program
- Strengthen recruitment efforts

Challenges

- Investment in energy conservation
- Goal of 2,000 FTE requiring facility expansion
- Demand for more services for students
- Inspire student involvement in undergraduate research

USM BUDGET HIGHLIGHTS

Financial

- FY08 budget preparation follows two years of E&G financial deficits accumulating to approx. \$4 million
 - Plan to eliminate over the next 5 years
 - Offset by healthy auxiliary operational reserves
- \$3.7 million structural gap in FY08; Business model to eliminate gap
 - 10% tuition increase proposed; 7% increase in mandatory fees
 - Integrated marketing plan to improve enrollment
 - o Enrollment budget up 1% over actual Fall 06 enrollment
 - o Focused recruitment and retention efforts
 - o Expansion of on-line education
 - o Building the relationship with the Community College System for transfer students
 - o Strategic use of financial aid
 - o Marketing/repackaging new programs
 - Position freeze will remain in effect next year; projected decline of 50 E&G positions between July 2006 and July 2008
 - Overall, steps in place to improve internal financial controls
- Includes multi-year financial planning incorporated into the budget building process

Strategic

- New academic offerings. Following in process:
 - Doctorate in Nursing Practice
 - B.S. in Athletic Training
 - BAs in International Studies and Spanish
 - Expanded “majors” in Business Administration to include Marketing, Entrepreneurship, Sports Business, and Insurance
 - Implementation of a Masters in Education for Northern and Eastern Maine

USM BUDGET HIGHLIGHTS

Strategic (Cont'd)

- Successful fund-raising efforts
 - USM's \$25 million capital campaign raised \$31 million
 - New fund raising initiatives at Lewiston-Auburn College
- Construction of University Commons has begun!
- Research and Development
 - Grant and contract activity totaled \$41.4M
 - \$2.5M from the State MEIF leveraged \$3.9M in federal funding
 - The Maine Center for Enterprise Development linked USM's research activities and the entrepreneurial energy of the School of Business to regional economic growth
 - The Muskie School's Casco Bay Estuary Project established a program better defining areas affected by "red tide" to the benefit of clam diggers and shell fishermen.
 - The Center for Tourism Research and Outreach has developed accurate, useful holiday and quarterly tourism forecasts valued by the industry.

Challenges

- Tighter financial controls over capital projects
- Very significant classroom renovations needed (e.g., Bailey Hall)
- Competition from community colleges
- Implementing more transparent financial and business practices
- Leadership transition

SYSTEM-WIDE SERVICES BUDGET HIGHLIGHTS

Financial

- Reduced budget
 - Compensation & benefit increases (\$850K) partially funded by cuts/reallocations
 - \$400K in operational audit savings redistributed to campuses
 - Reduction of 6 administrative positions
 - Operating costs for services provided (\$ in millions)
 - o Governance & Leadership \$2.7
 - o Facilities & Risk Mgmt. 0.6
 - o Accounting & Finance 2.7
 - o Human Resources 2.1
 - o Information Technology, net 8.2
 - o Distance Education, net 4.7
- Primary sources of funding are state appropriation and investment income
 - Excess investment earnings are set aside for one-time strategic campus initiatives such as PeopleSoft implementation
 - Good interest rate investment environment at this time

Strategic

- Modest increases in system-wide academic initiatives
 - Disabilities Initiatives
 - Master's of Education in Rural Maine
- Maximize use of technology investments

Challenges

- Fund inflationary increases with limited appropriation
- Meet increased demand for IT services, security, and improved functionality
 - Maintaining PeopleSoft and legacy systems simultaneously through FY2010
- Changing environment for distance education services centrally provided

SECTION III

ENROLLMENT AND STUDENT CHARGES

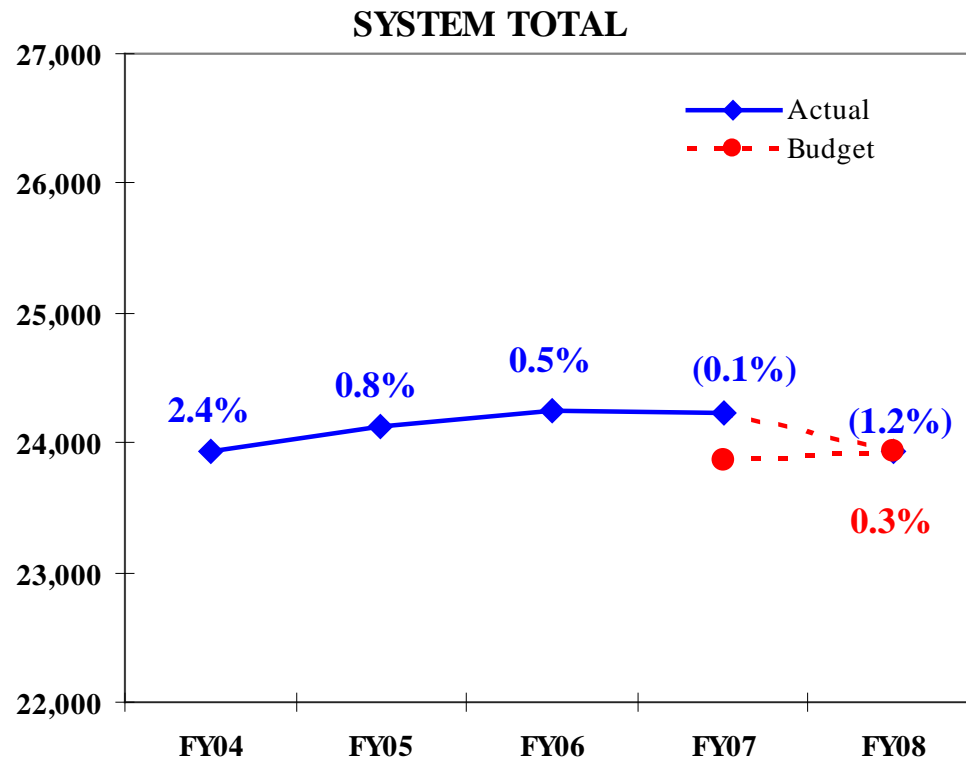
(See Appendix for Detailed Student Charges)

ENHANCED RECRUITMENT EFFORTS

- ❖ UMS marketing and advocacy campaign
 - Routinely update market research
- ❖ Advertising campaigns
- ❖ Strategic financial aid “net tuition strategy”
- ❖ Retention initiatives
- ❖ Articulation agreements, transfer incentives, seamless transition
- ❖ Redesigned System & campus websites
- ❖ Improved data information system being implemented
 - Automated application review
 - Data-driven planning and institutional research
 - Shared Processing Center beyond start-up phase
 - Enhanced on-line applications

FALL STUDENT ENROLLMENT (FTE's)

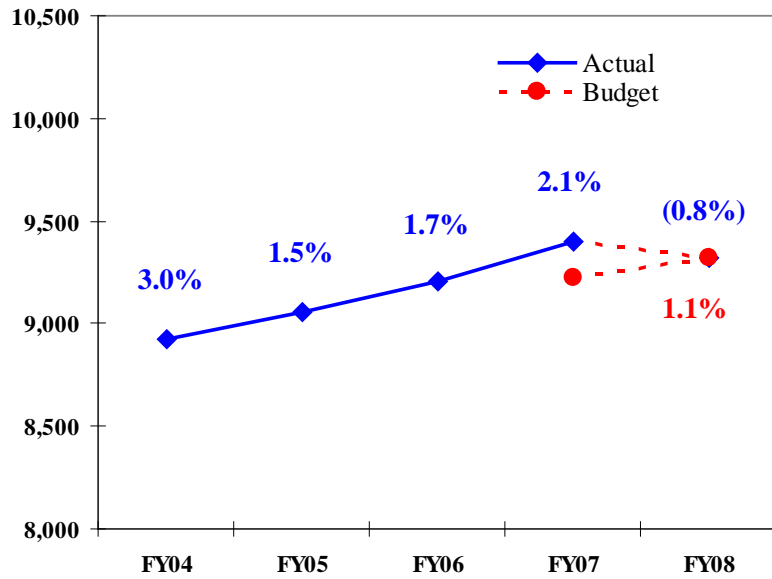
- ❖ FY08 budgeted enrollment of 23,940 reflects a 0.3% increase compared to FY07 budgeted enrollment but overall reflects a 1.2% decrease from FY07 actual; varies greatly by campus
- ❖ The number of Maine high school graduates is beginning to decline



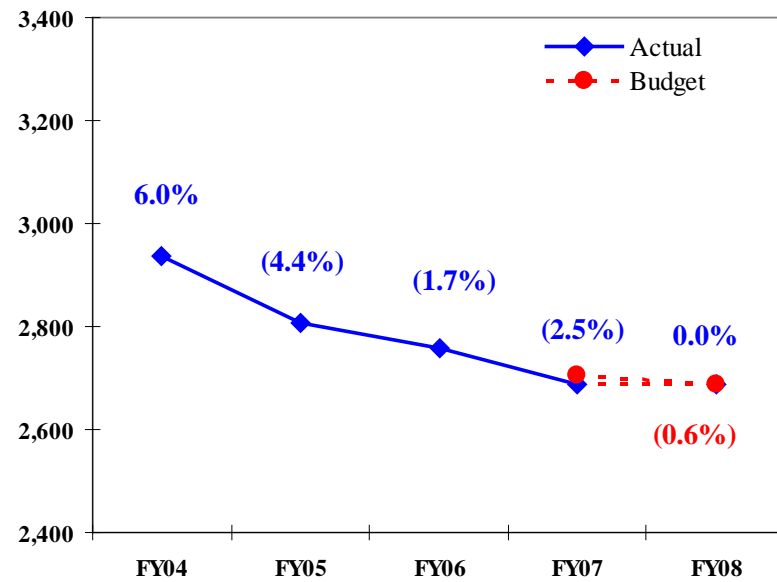
-Over the past 5 years, enrollments have increased 2.4%

FALL STUDENT ENROLLMENT (FTE's)

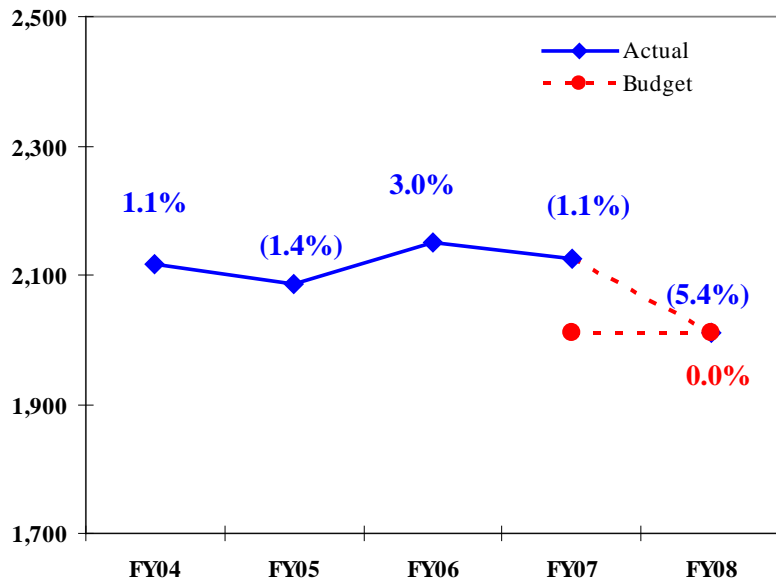
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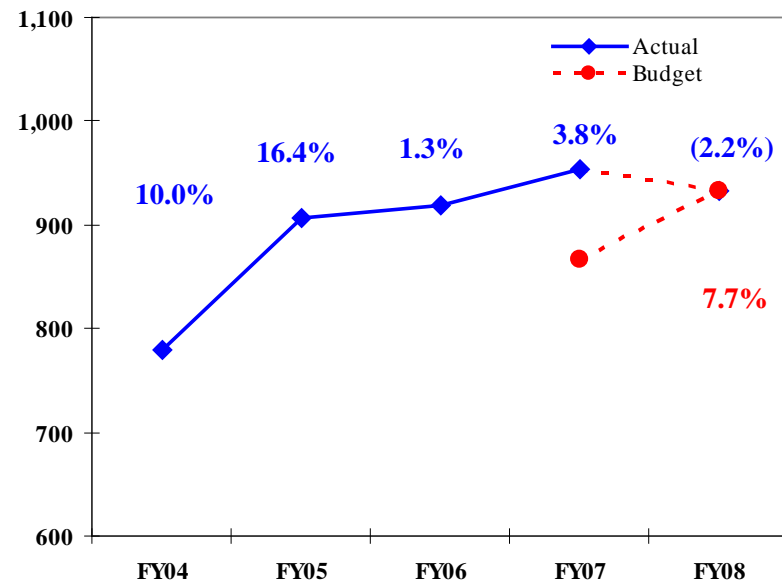
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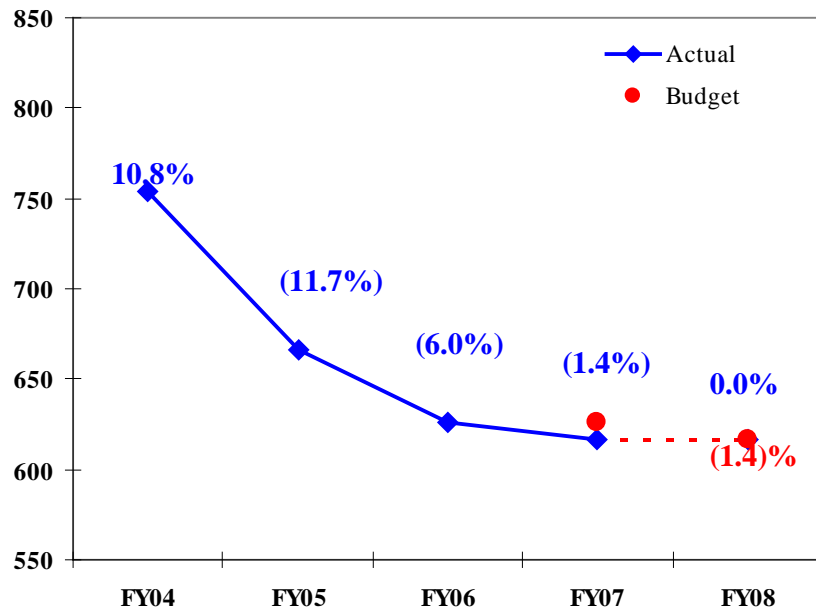


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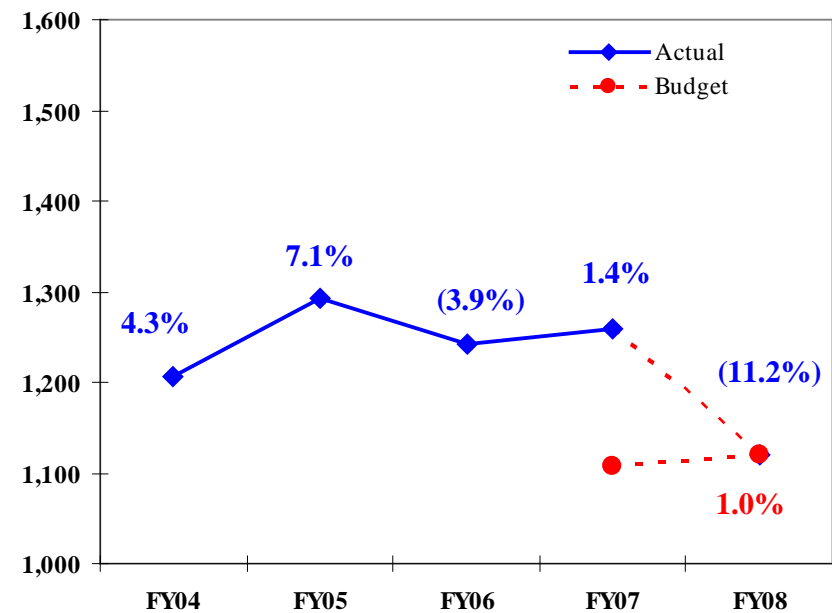


FALL STUDENT ENROLLMENT (FTE's)

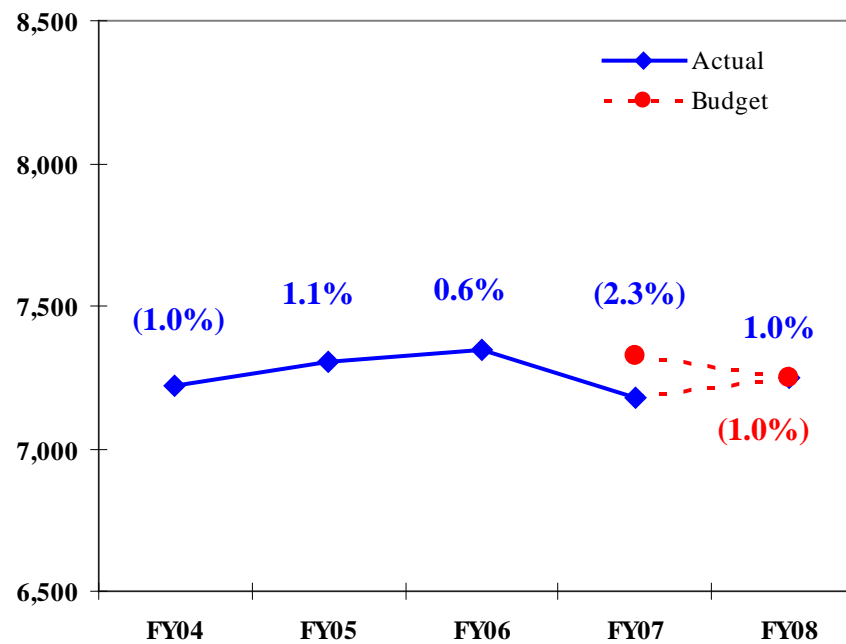
UMM



UMPI



USM



FY08 ANNUAL TUITION INCREASES

| | IN-STATE | | | | OUT-OF-STATE | | | |
|-----------------------------|---------------------------|---------------------------|-----------------|------------|---------------------------|---------------------------|-----------------|-------------|
| | FY07 Annual Tuition | FY08 Annual Tuition | Annual Increase | | FY07 Annual Tuition | FY08 Annual Tuition | Annual Increase | |
| | | | \$ | % | | | \$ | % |
| <u>UNDERGRADUATE</u> | | | | | | | | |
| UM | \$5,970 | \$6,540 | \$570 | 9.5 | \$16,920 | \$18,750 | \$1,830 | 10.8 |
| UMA | 4,710 | 5,220 | 510 | 10.8 | 11,400 | 12,630 | 1,230 | 10.8 |
| UMF | 5,824 | 6,528 | 704 | 12.1 | 13,536 | 14,208 | 672 | 5.0 |
| UMFK | 4,650 | 5,100 | 450 | 9.7 | 11,220 | 12,780 | 1,560 | 13.9 |
| UMM | 4,650 | 5,100 | 450 | 9.7 | 12,510 | 14,130 | 1,620 | 12.9 |
| UMPI | 4,650 | 5,100 | 450 | 9.7 | 11,550 | 12,780 | 1,230 | 10.6 |
| USM | 5,400 | 5,940 | 540 | 10.0 | 14,640 | 16,410 | 1,770 | 12.1 |
| <u>GRADUATE</u> | | | | | | | | |
| UM | \$5,328 | \$5,850 | \$522 | 9.8 | \$15,210 | \$16,848 | \$1,638 | 10.8 |
| USM | 4,860 | 5,346 | 486 | 10.0 | 13,572 | 15,192 | 1,620 | 11.9 |
| <u>LAW</u> | | | | | | | | |
| 1st Yr. | \$16,590 | \$17,400 | \$810 | 4.9 | \$26,280 | \$27,480 | \$1,200 | 4.6 |
| 2nd Yr. | 16,590 | 17,400 | 810 | 4.9 | 26,280 | 27,480 | 1,200 | 4.6 |
| 3rd Yr. | 15,540 | 17,400 | 1,860 | 12.0 | 24,630 | 27,480 | 2,850 | 11.6 |
| <i>Weighted Avg.</i> | | | | 9.8 | | | | 11.0 |

Note: Undergraduate & Law annual tuition based on 30 credit hours (32 credit hours at UMF). Graduate annual tuition based on 18 credit hours. NEBHE rates are at least 150% of in-state rates

FY08 MANDATORY FEES INCREASES

| <u>UNDERGRADUATE</u> | | <u>FY07</u> | <u>FY08</u> | <u>Annual Increase</u> | |
|----------------------|-------------------|----------------|----------------|------------------------|-------------|
| | | | | <u>\$</u> | <u>%</u> |
| UM | Communications | \$30 | \$30 | - | - |
| | Recreation Center | - | 196 | \$196 | New Fee |
| | Unified Fee | 1,404 | 1,474 | 70 | 5.0 |
| | Student Activity | 90 | 90 | - | - |
| | | \$1,524 | \$1,790 | \$266 | 17.5 |
| UMA | Unified Fee | \$690 | \$720 | \$30 | 4.3 |
| | Student Activity | 45 | 45 | - | - |
| | | | \$735 | \$765 | \$30 |
| UMF | Unified Fee | \$454 | \$499 | \$45 | 9.9 |
| | Student Activity | 130 | 130 | - | - |
| | | | \$584 | \$629 | \$45 |
| UMFK | Unified Fee | \$480 | \$540 | \$60 | 12.5 |
| | Student Activity | 113 | 113 | - | - |
| | | | \$593 | \$653 | \$60 |
| UMM | Unified Fee | \$430 | \$430 | - | - |
| | Student Activity | 165 | 240 | \$75 | 45.5 |
| | | | \$595 | \$670 | \$75 |
| UMPI | Unified Fee | \$480 | \$480 | - | - |
| | Student Activity | 160 | 160 | - | - |
| | | | \$640 | \$640 | \$0 |
| USM | Unified Fee | \$585 | \$630 | \$45 | 7.7 |
| | Student Activity | 96 | 100 | 4 | 4.2 |
| | | | \$681 | \$730 | \$49 |

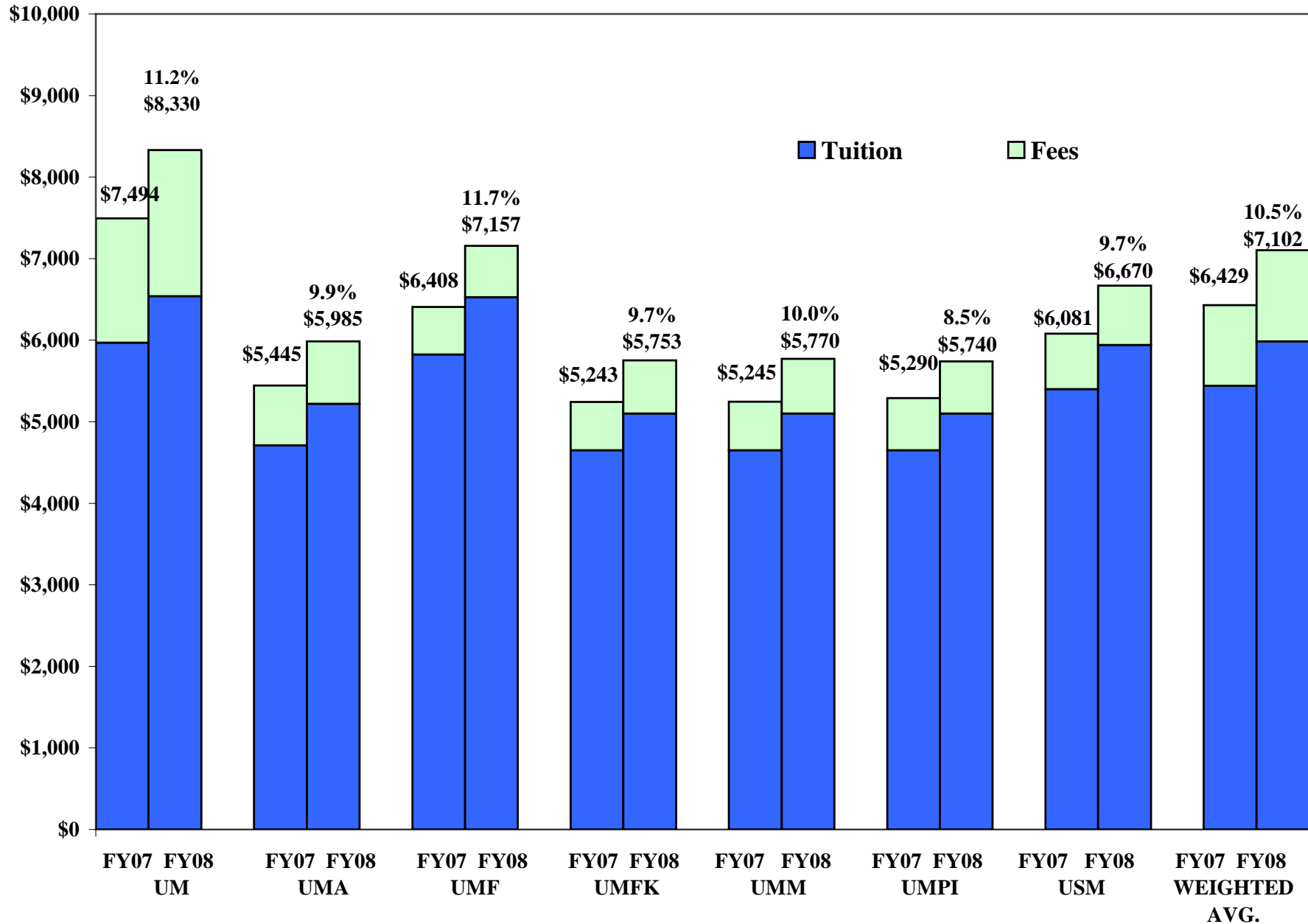
Note: Undergraduate fees based on 30 credit hours (32 credit hours for UMF).

FY08 MANDATORY FEES INCREASES

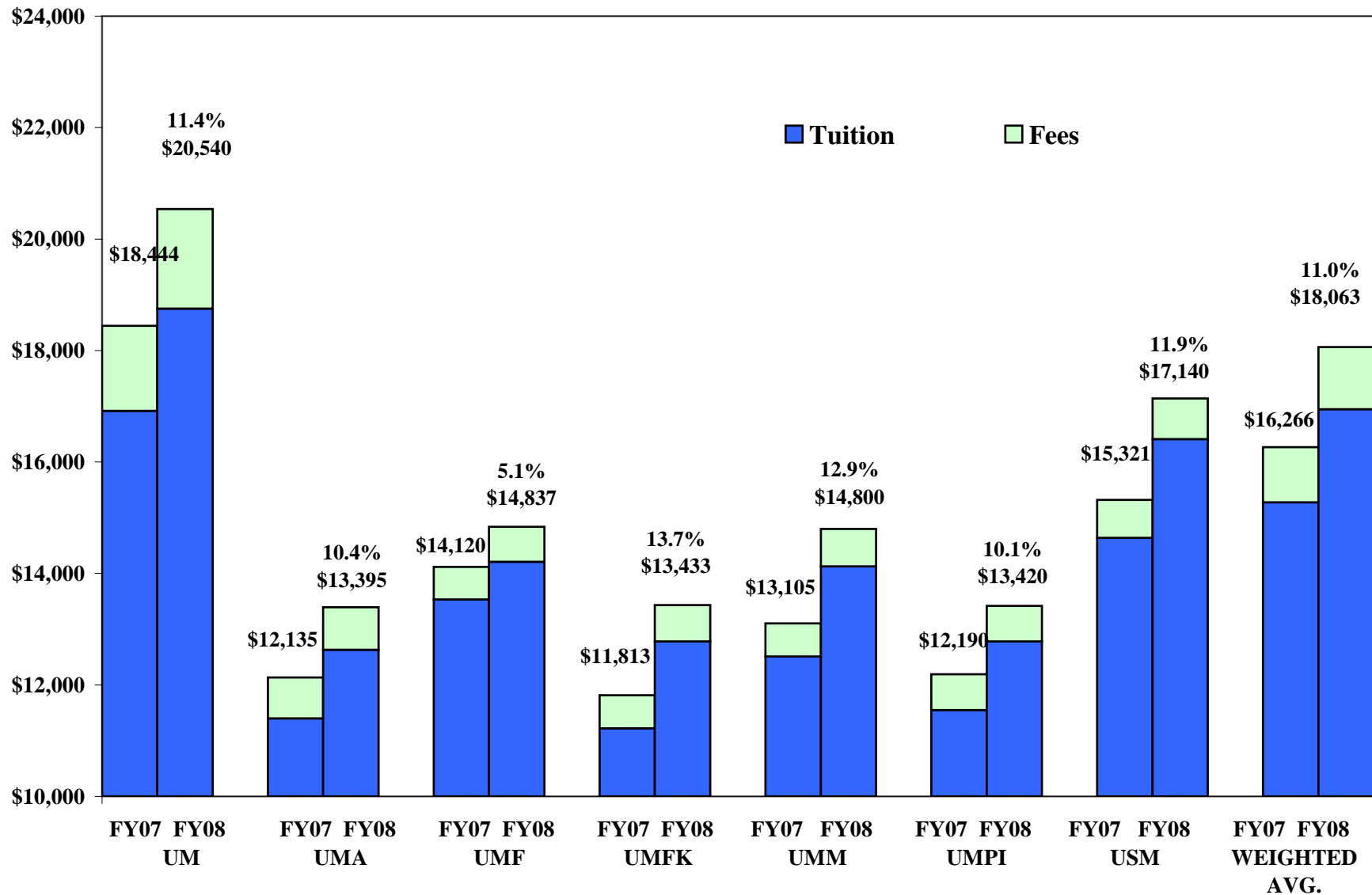
| | | <u>FY07</u> | <u>FY08</u> | <u>Annual Increase</u> | |
|------------------------|--------------------------|--------------|--------------|------------------------|----------------|
| | | | | <u>\$</u> | <u>%</u> |
| <u>GRADUATE</u> | | | | | |
| UM | Communications | \$30 | \$30 | - | - |
| | Recreation Center | - | 196 | \$196 | New Fee |
| | Unified Fee | 574 | 602 | 28 | 4.9 |
| | Student Activity | 40 | 40 | - | - |
| | | \$644 | \$868 | \$224 | 34.8 |
| USM | Unified Fee | \$351 | \$378 | \$27 | 7.7 |
| <u>LAW</u> | Unified Fee | \$585 | \$630 | \$45 | 7.7 |
| | Student Activity | 40 | 40 | - | - |
| | | \$625 | \$670 | \$45 | 7.2 |

Note: Law annual fees based on 30 credit hours. Graduate annual fees based on 18 credit hours.

IN-STATE FULL-TIME TUITION AND MANDATORY FEES COMPARISON



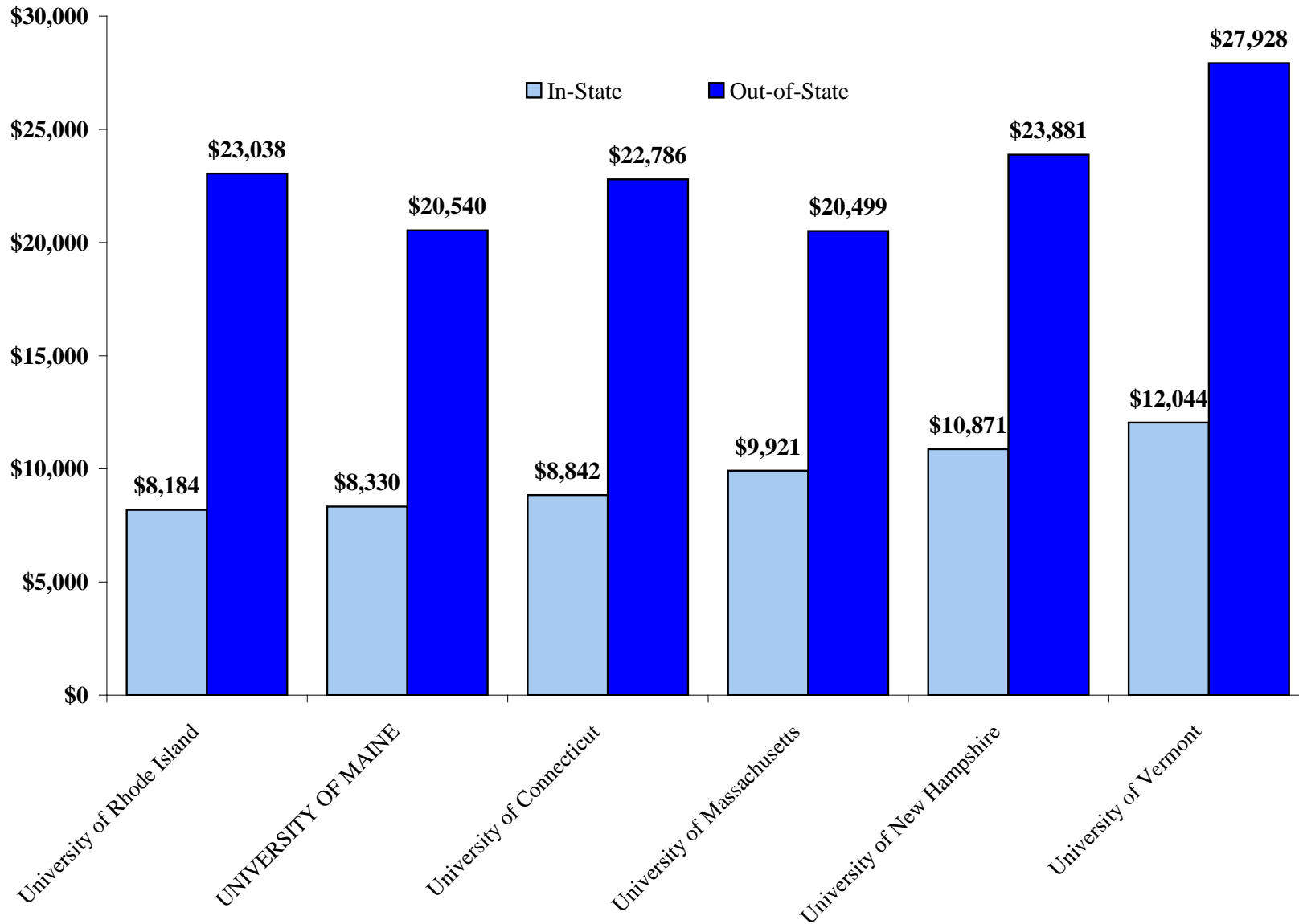
OUT-OF-STATE FULL-TIME TUITION & MANDATORY FEES COMPARISON



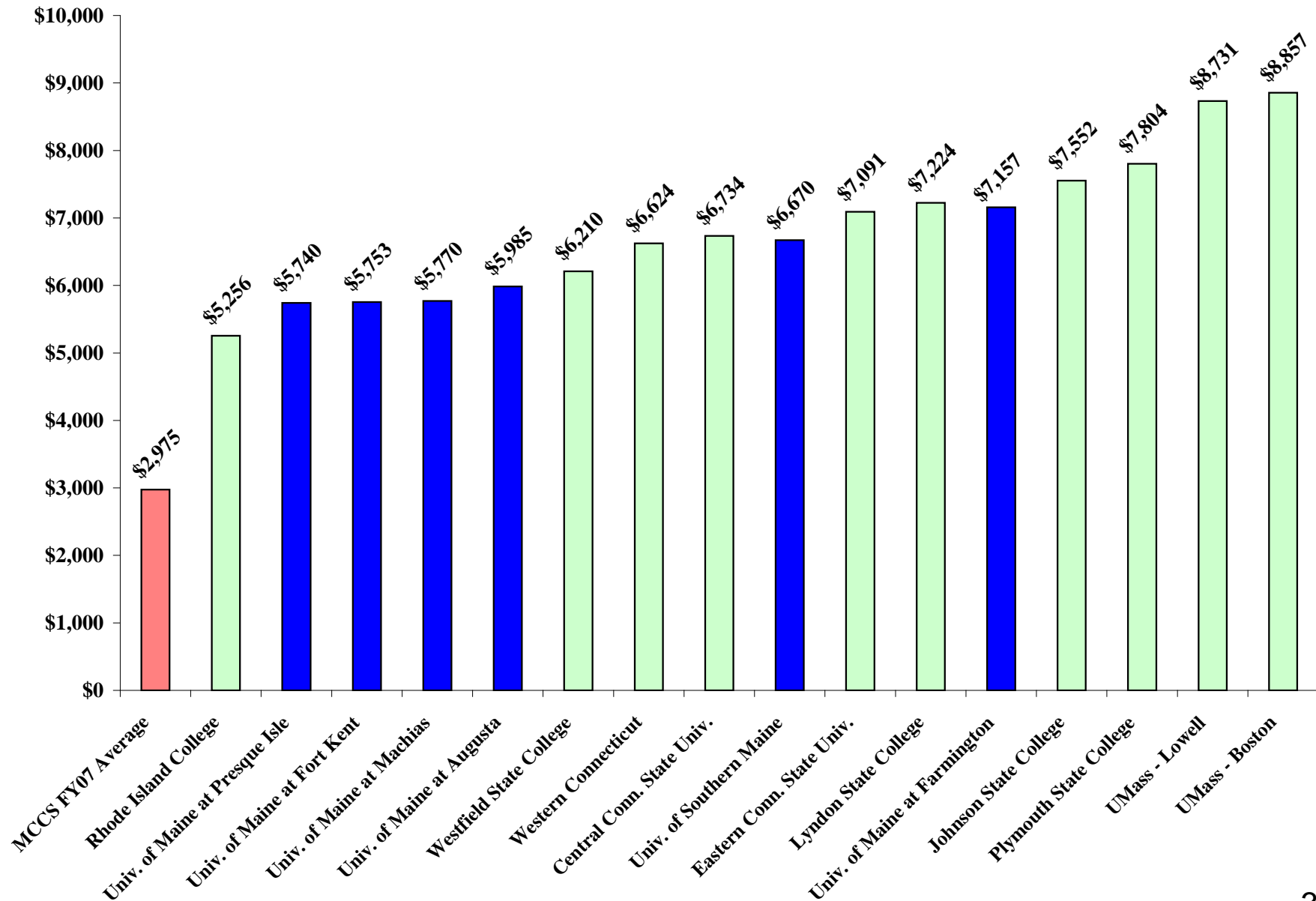
NEW ENGLAND LAND-GRANT UNIVERSITIES

ESTIMATED FULL-TIME UNDERGRADUATE TUITION & MANDATORY FEES

FY08

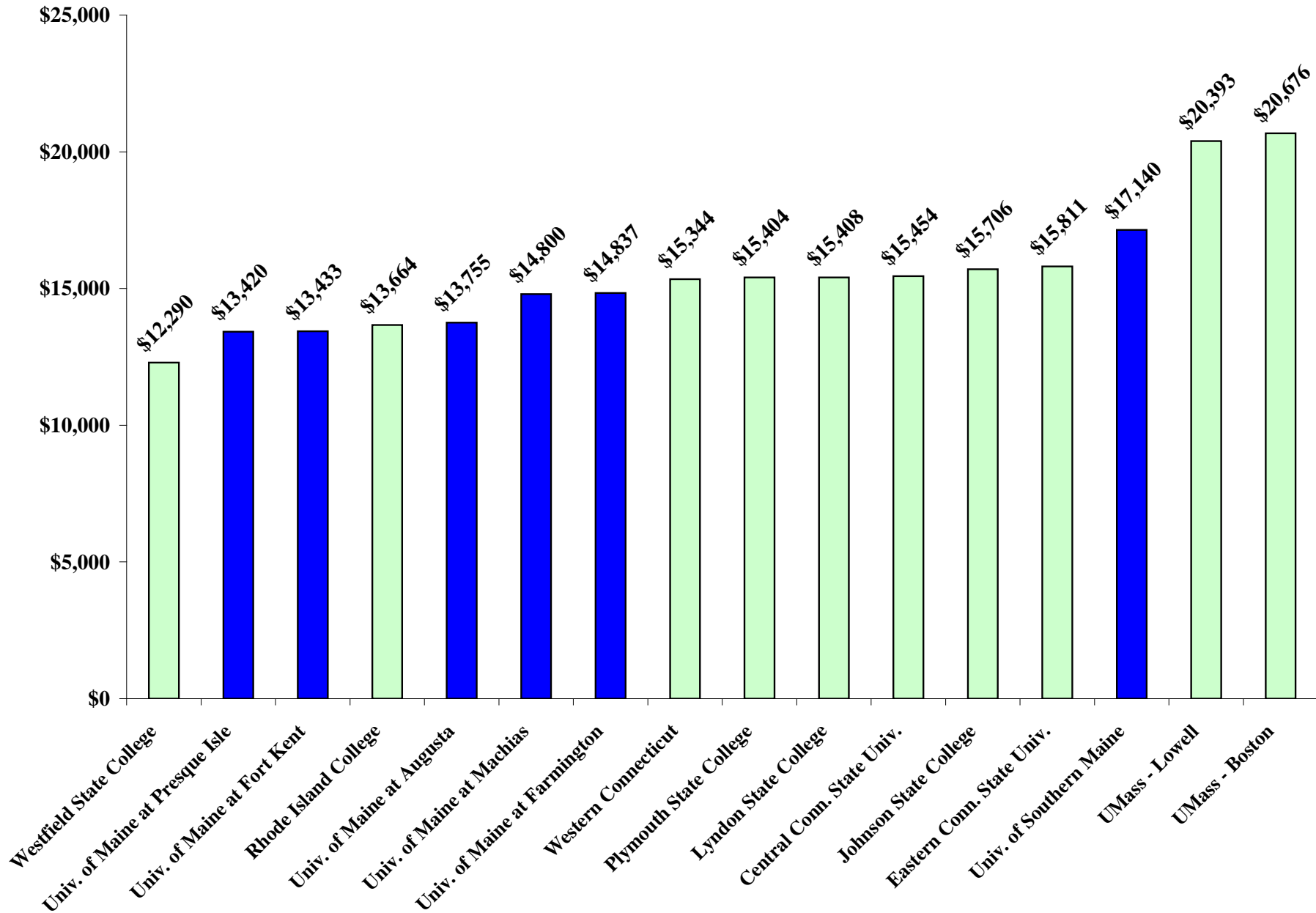


SELECTED NEW ENGLAND STATE COLLEGES & UNIVERSITIES ESTIMATED FULL-TIME UNDERGRADUATE IN-STATE TUITION & MANDATORY FEES FY08



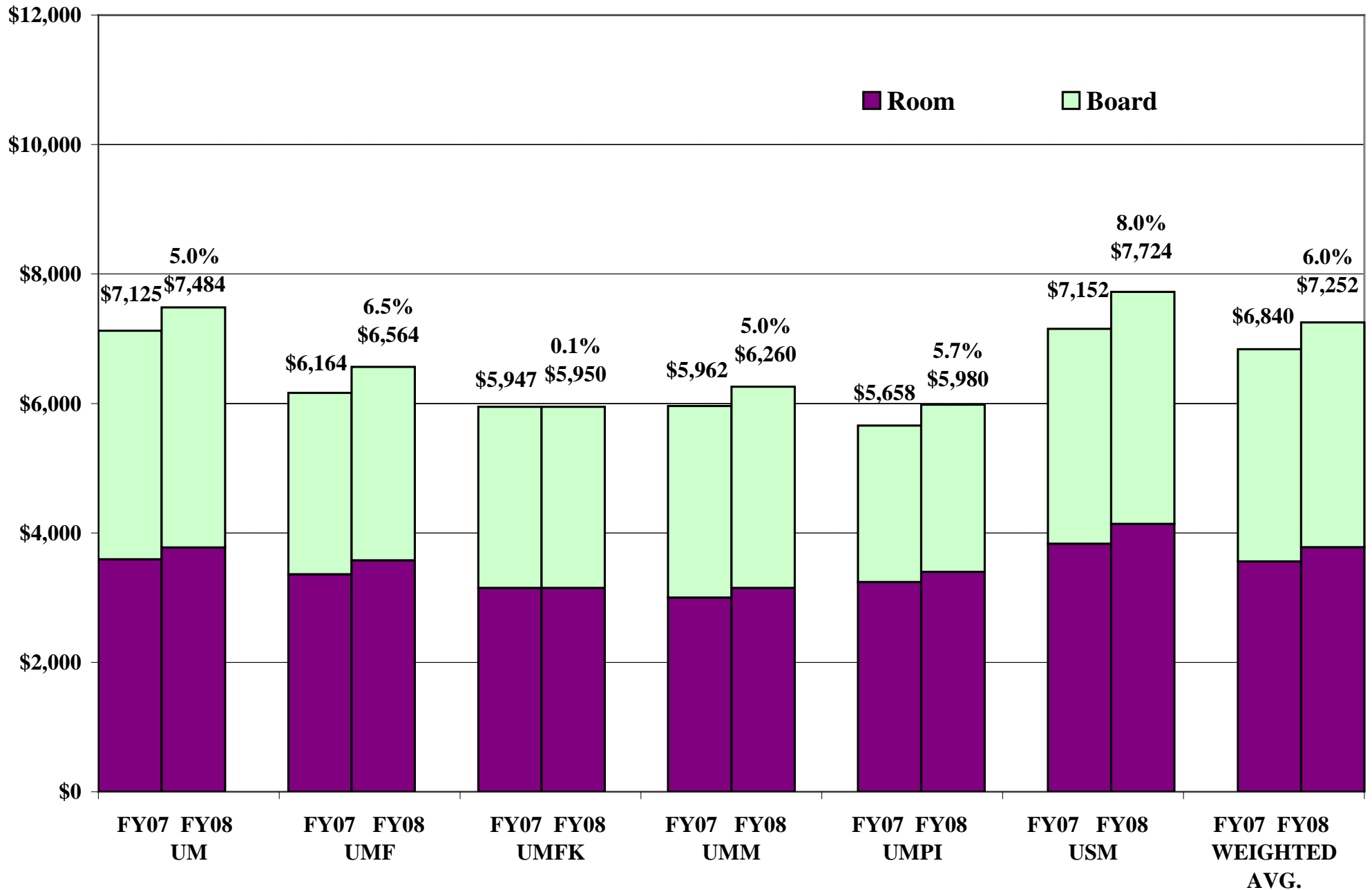
Source: Telephone calls & websites

***SELECTED NEW ENGLAND STATE COLLEGES & UNIVERSITIES ESTIMATED
UNDERGRADUATE FULL-TIME OUT-OF-STATE TUITION & MANDATORY FEES
FY08***

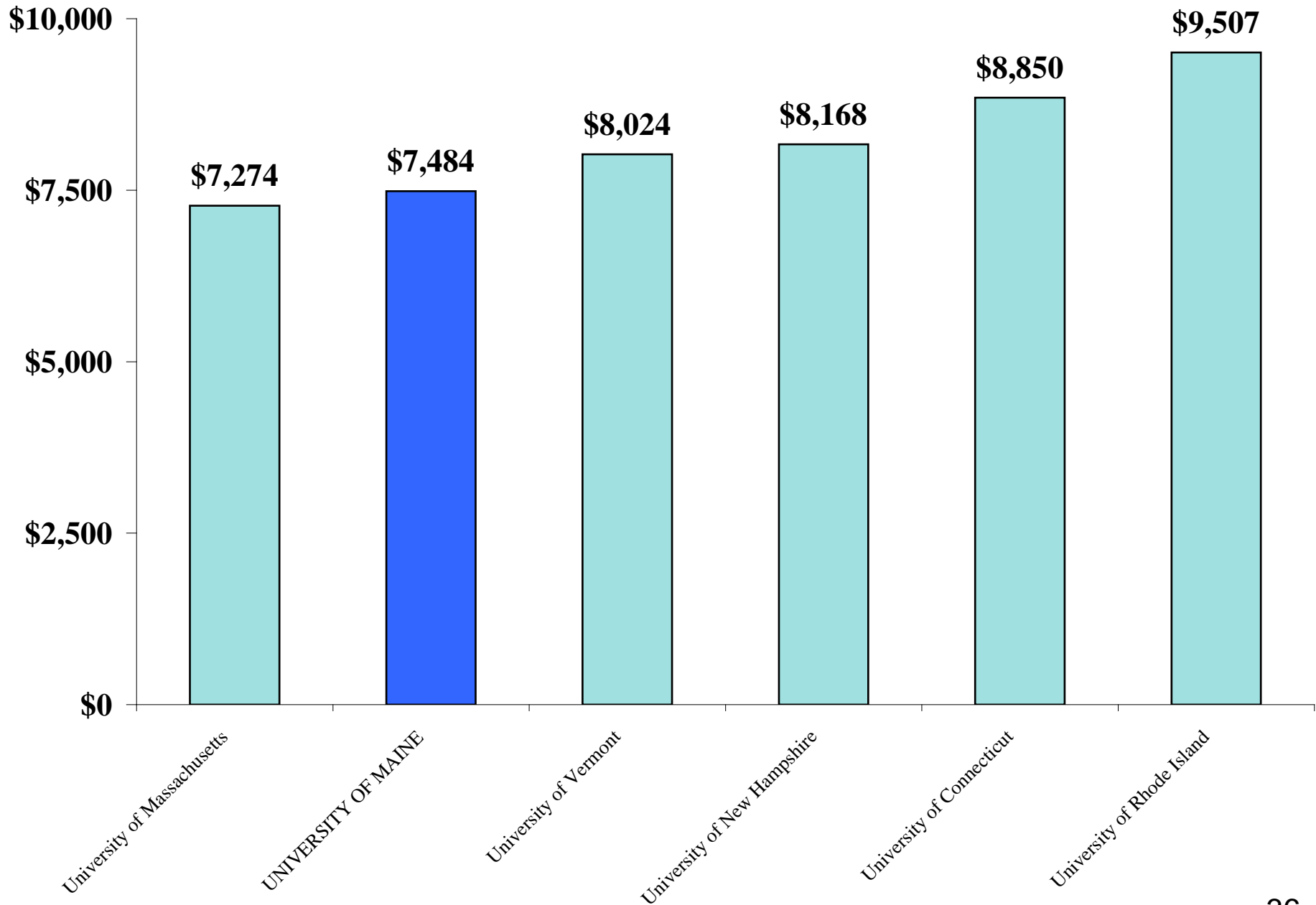


Source: Telephone calls & websites

FY08 PROPOSED ROOM & BOARD RATE INCREASES



NEW ENGLAND LAND-GRANT UNIVERSITIES ESTIMATED ROOM & BOARD FY08

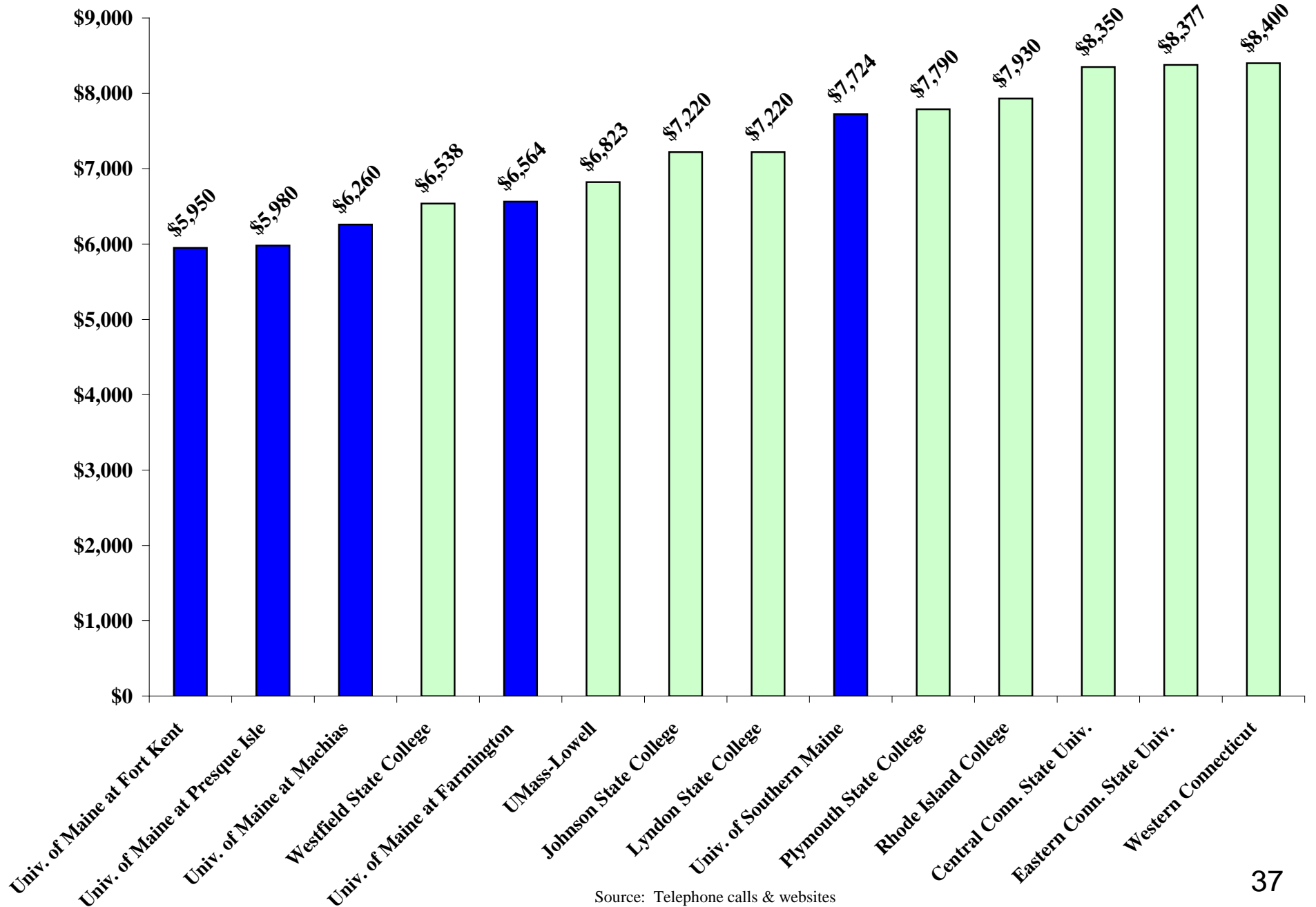


Source: Telephone calls & websites

SELECTED NEW ENGLAND STATE COLLEGES & UNIVERSITIES

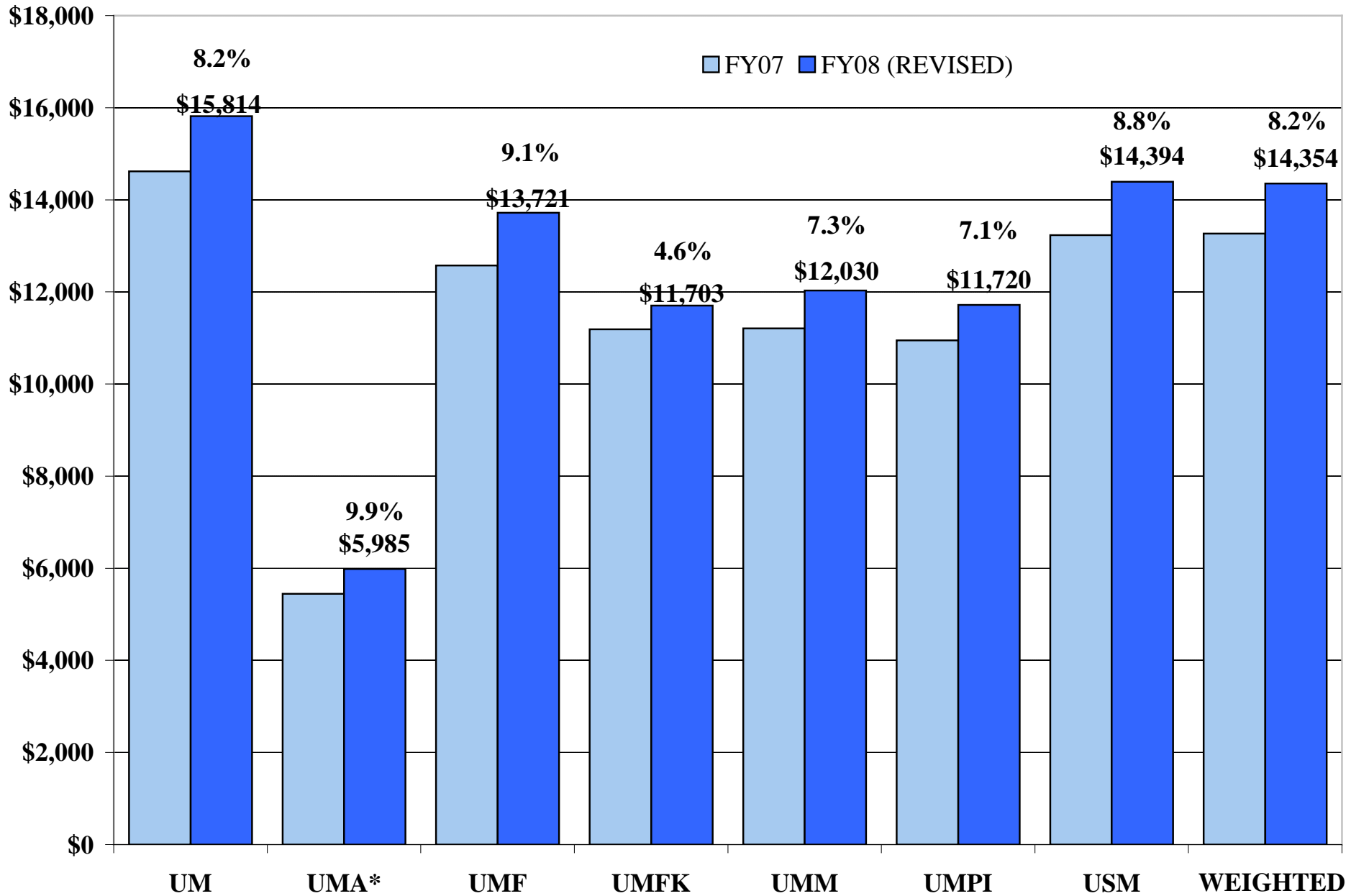
ESTIMATED ROOM & BOARD

FY08



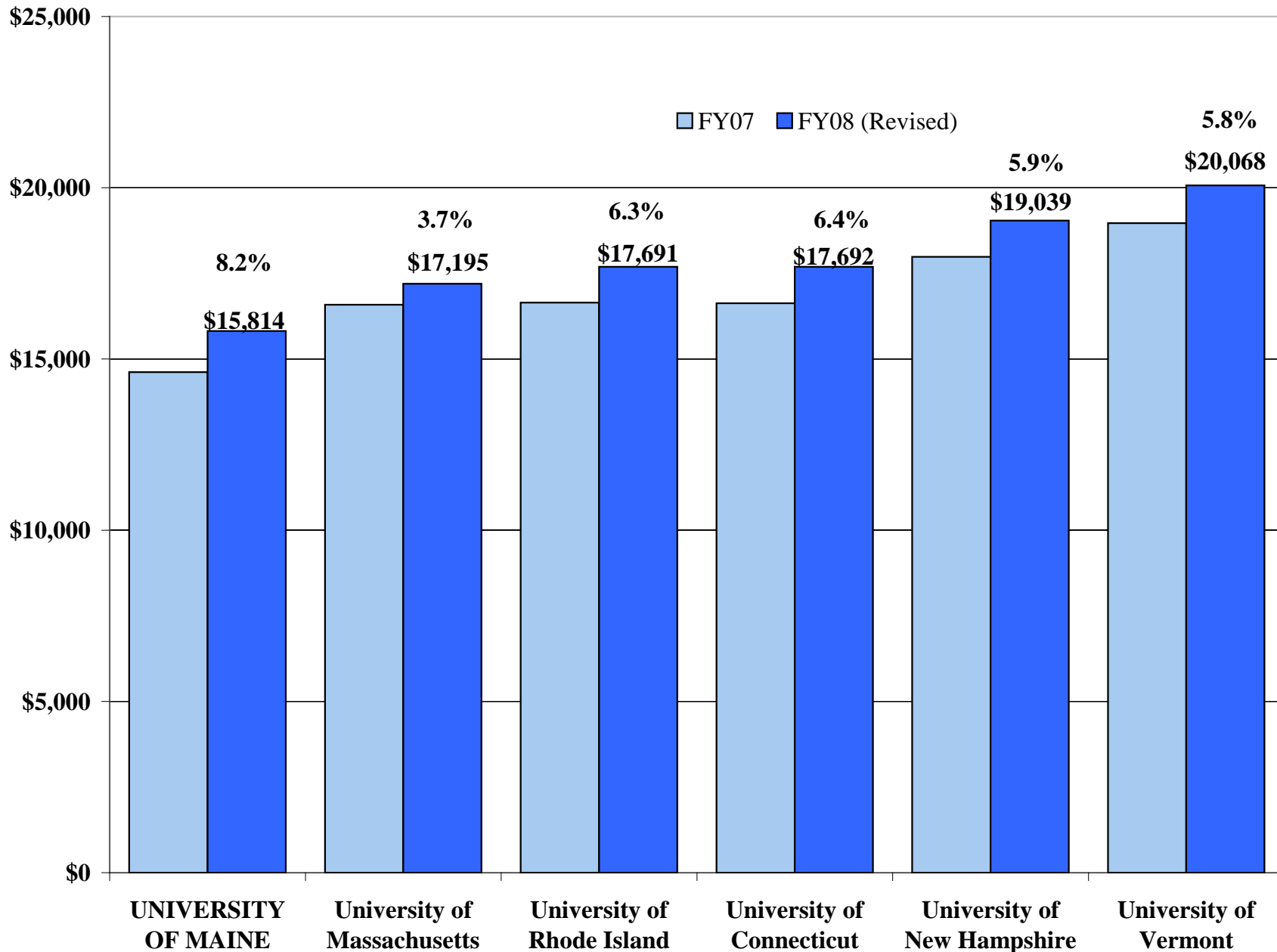
Source: Telephone calls & websites

UMS IN-STATE UNDERGRADUATE COMPREHENSIVE STUDENT COST OF EDUCATION
(Tuition, Mandatory Fees, Room & Board)



*UMA has no residence or dining halls

NEW ENGLAND LAND-GRANT UNIVERSITIES
ESTIMATED IN-STATE UNDERGRADUATE COMPREHENSIVE STUDENT COST OF EDUCATION
(Tuition, Mandatory Fees, Room & Board)



Source: Telephone calls & websites

SECTION IV

FINANCIAL AID

UMS WAIVERS

- ❖ *UMS Waivers grow by \$300K-\$400K annually*
- ❖ *Approximately 40% of waiver costs are state mandated*

| | | (\$ in Millions) | | | | |
|---------------------|-------------------------|---------------------|---------------------|---------------------|-------------------------|-------------------------|
| <u>Mandated by:</u> | | <u>FY04</u> | <u>FY05</u> | <u>FY06</u> | Forecast <u>FY07</u> | Budgeted <u>FY08</u> |
| State | Foster Care | \$0.1 | \$0.2 | \$0.1 | \$0.1 | \$0.2 |
| State/UMS | High School Aspirations | 0.3 | 0.4 | 0.5 | 0.5 | 0.5 |
| UMS | North American Indian* | 2.0 | 2.2 | 2.5 | 2.7 | 2.9 |
| UMS | Senior Citizens | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| State | Veteran's Dependent | <u>1.0</u> | <u>1.1</u> | <u>1.2</u> | <u>1.1</u> | <u>1.4</u> |
| TOTALS | | <u><u>\$3.5</u></u> | <u><u>\$4.0</u></u> | <u><u>\$4.4</u></u> | <u><u>\$4.5</u></u> | <u><u>\$5.1</u></u> |

*In addition to the waiver, room & board scholarships for eligible North American Indian students who live on campus - approximately \$700,000 annually

KNOWN FINANCIAL AID INCREASES

- ❖ UMS endowed scholarships increased due to favorable market conditions
- ❖ \$260 annual increase in PELL Grants from \$4,050 to \$4,310
- ❖ Racino scholarships beginning in FY08
- ❖ Maine State Grant Program expanded eligibility – number of additional students receiving the \$1,200 maximum annual award is currently unknown (UMS received \$7.8 million or 68% of MSGP’s funding in FY07)

| | <u>FY08 Budget</u> | <u>FY08 Estimated Increase</u> | |
|---|------------------------------|--------------------------------|--------------|
| | | <u>\$ in millions</u> | <u>%</u> |
| Known Financial Aid Increases: | | | |
| Unrestricted Waivers & Scholarships | \$35.5 | \$4.3 | 13.8% |
| Endowed Scholarships | 2.9 | 0.3 | 11.5% |
| PELL Grants* | 24.9 | 1.5 | 6.4% |
| Racino Scholarships* | 0.6 | 0.6 | 100.0% |
| Maine State Grant Program | —————Unable to Estimate————— | | |
| Total Known Financial Aid Increase | <u>\$63.9</u> | <u>\$6.7</u> | <u>11.7%</u> |

*Pursuant to current federal and state legislation

Note: Current interest rates for student loans: Perkins = 5%; Stafford = 6.8%

SECTION V

OPERATING EXPENSES

&

EMPLOYEE FTE'S

OPERATING EXPENSES

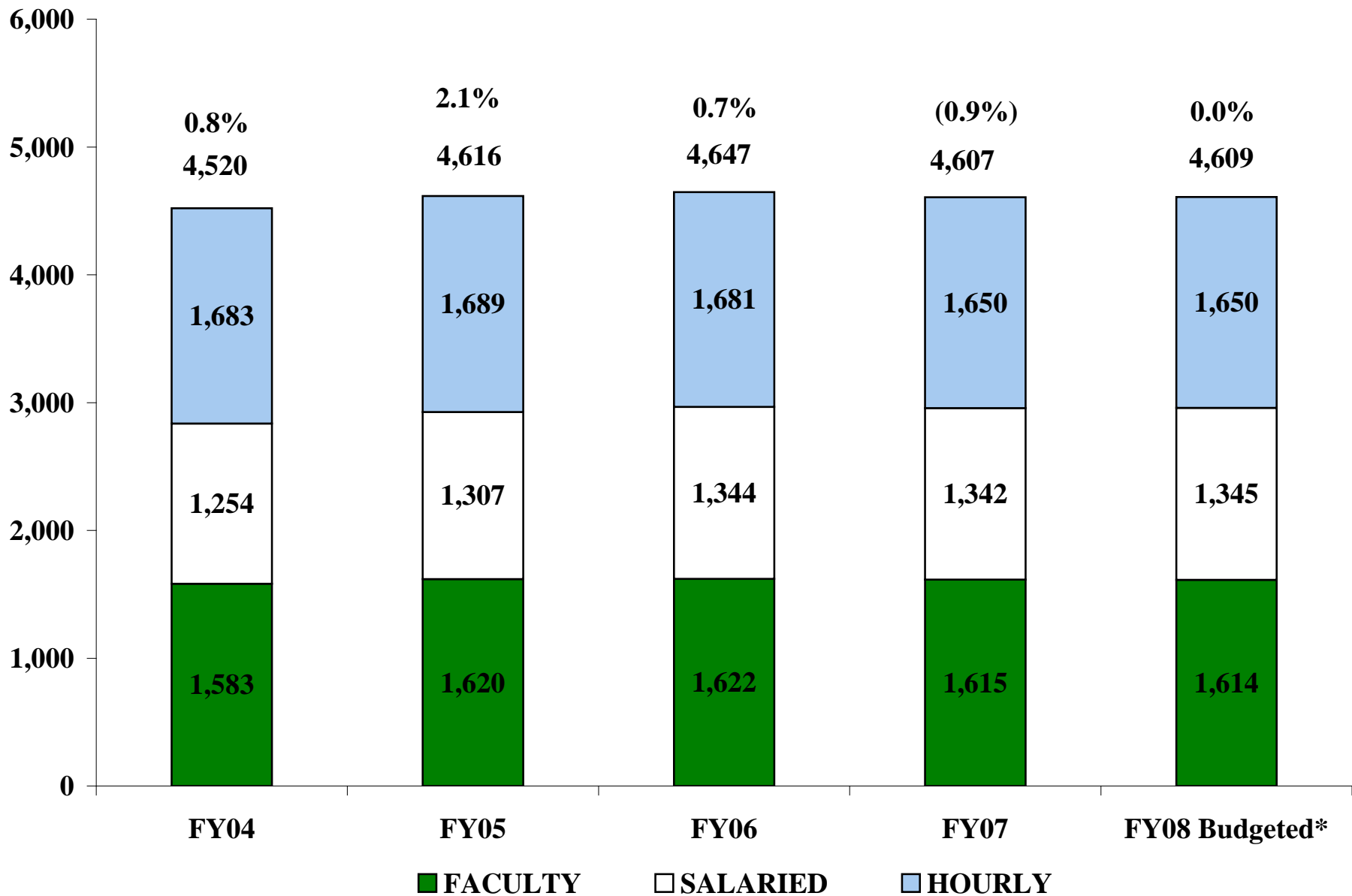
(000's)

| | FY07 FORECAST | FY08 BUDGET | CHANGE | | |
|--|--------------------------|------------------------|-----------------|-------------|---|
| Compensation & Benefits | \$300,061 | \$320,172 | \$20,111 | 6.7% | Inflation & market-based - subject to negotiations |
| Health Insurance - Retirees | 9,000 | 14,700 | 5,700 | 63.3% | Phased GASB 45 funding |
| Utilities | 28,102 | 28,812 | 710 | 2.5% | Energy increases |
| Other Expenses | 118,828 | 122,898 | 4,070 | 3.4% | Inflation; expansion of auxiliary student services |
| Restricted Fund Matches/Transfers | 18,092 | 18,630 | 538 | 3.0% | Primarily UM's funding of Maine Agricultural and Forest Experimental Station & Cooperative Extension Services |
| UM/USM Undetermined Cuts/Reallocations | 0 | (6,363) | (6,363) | | Refer to Budget Highlights in Section II for further detail on cost reductions identified |
| Total | \$474,083 | \$498,849 | \$24,766 | 5.2% | |

WORKFORCE MANAGEMENT

- ❖ Workforce management required to fund priorities and balance budget
- ❖ UMS committed to human resource management initiatives
 - Retain faculty and staff
 - Avoid or reduce negative impact of changes on individual employees
- ❖ Universities maintain flexibility by managing vacancies and positions
- ❖ Position Management system provides improved information for budgeting and decision makers
- ❖ Approximately 225 vacant positions system-wide

TOTAL UNRESTRICTED FTE EMPLOYEES & ANNUAL % CHANGE



*Subject to change based on potential campus cuts/reallocations

STUDENT/PERSONNEL RATIOS (FTE'S)

| Student / Faculty Ratios (FTE) | | | | | |
|--------------------------------|-------------|-------------|-------------|-------------|-------------|
| | <u>2001</u> | <u>2002</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> |
| UM | 11:1 | 12:1 | 12:1 | 13:1 | 13:1 |
| UMA | 18:1 | 19:1 | 20:1 | 19:1 | 18:1 |
| UMF | 16:1 | 16:1 | 16:1 | 15:1 | 15:1 |
| UMFK | 17:1 | 17:1 | 19:1 | 21:1 | 20:1 |
| UMM | 14:1 | 14:1 | 15:1 | 13:1 | 13:1 |
| UMPI | 14:1 | 15:1 | 17:1 | 18:1 | 18:1 |
| USM | 14:1 | 14:1 | 15:1 | 15:1 | 15:1 |
| UMS | 13:1 | 14:1 | 15:1 | 15:1 | 15:1 |
| U.S. AVG | 15:1 | | 16:1 | | |

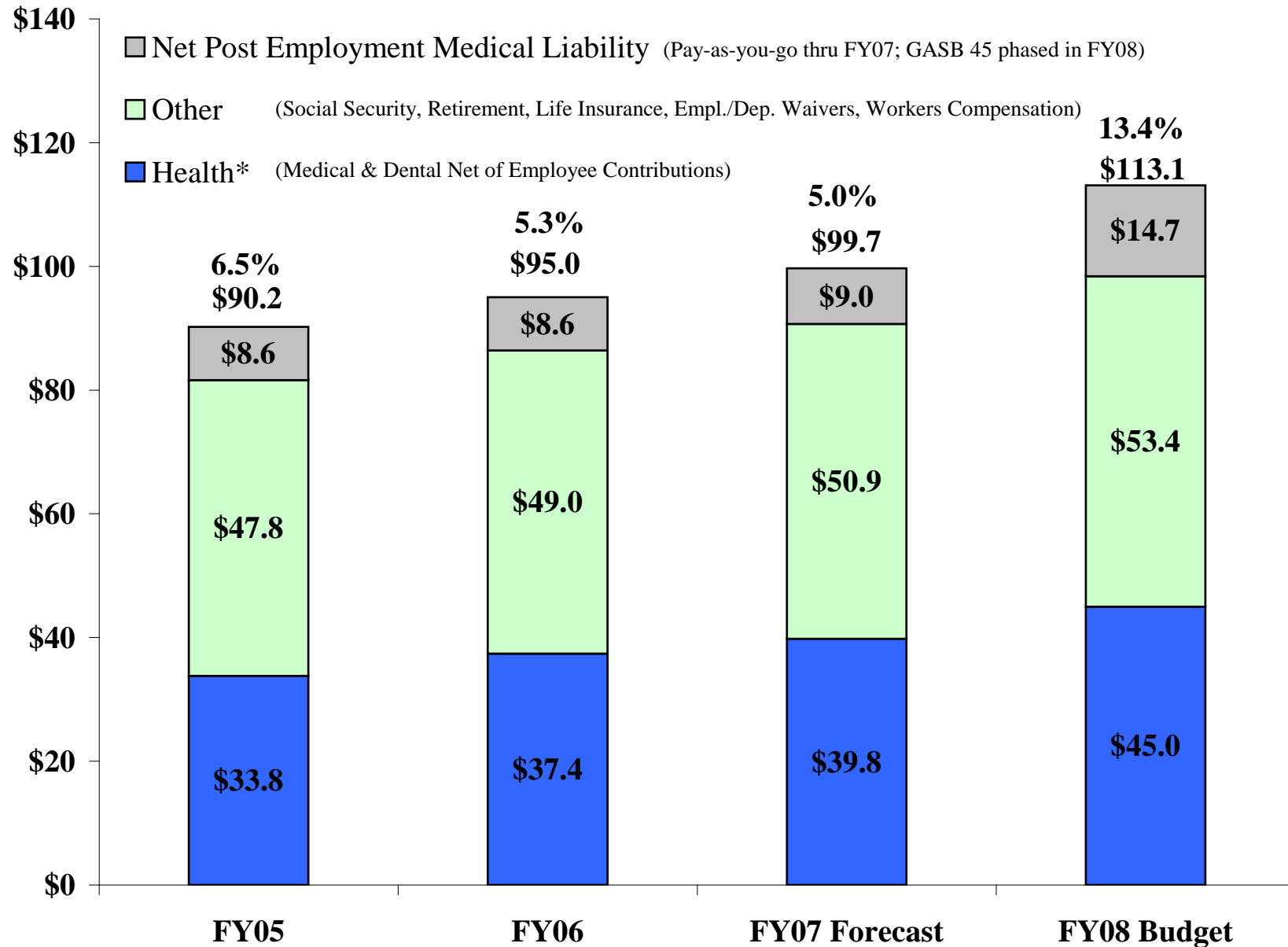
| Student/Non-Faculty** Ratios (FTE) | | | | | |
|------------------------------------|-------------|-------------|-------------|-------------|-------------|
| | <u>2001</u> | <u>2002</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> |
| UM | 5:1 | 6:1 | 5:1 | 6:1 | 6:1 |
| UMA | 15:1 | 15:1 | 15:1 | 14:1 | 14:1 |
| UMF | 9:1 | 10:1 | 10:1 | 9:1 | 10:1 |
| UMFK | 9:1 | 9:1 | 10:1 | 11:1 | 11:1 |
| UMM | 9:1 | 10:1 | 12:1 | 11:1 | 10:1 |
| UMPI | 10:1 | 11:1 | 12:1 | 12:1 | 12:1 |
| USM | 7:1 | 7:1 | 7:1 | 7:1 | 7:1 |
| UMS* | 6:1 | 7:1 | 7:1 | 7:1 | 7:1 |
| U.S. AVG | 7:1 | | 7:1 | | |

*UMS total FTE non-faculty personnel includes systemwide services and University College Outreach.

**Includes dining, residence halls, and facilities staff

U.S. Average Source: NCES Digest of Education – degree granting, post-secondary institutions

ANNUAL % CHANGE IN EMPLOYEE BENEFITS



*Currently have Minimum Premium contract (pay only claims incurred plus administrative cost similar to self-insured but with full rate protection)

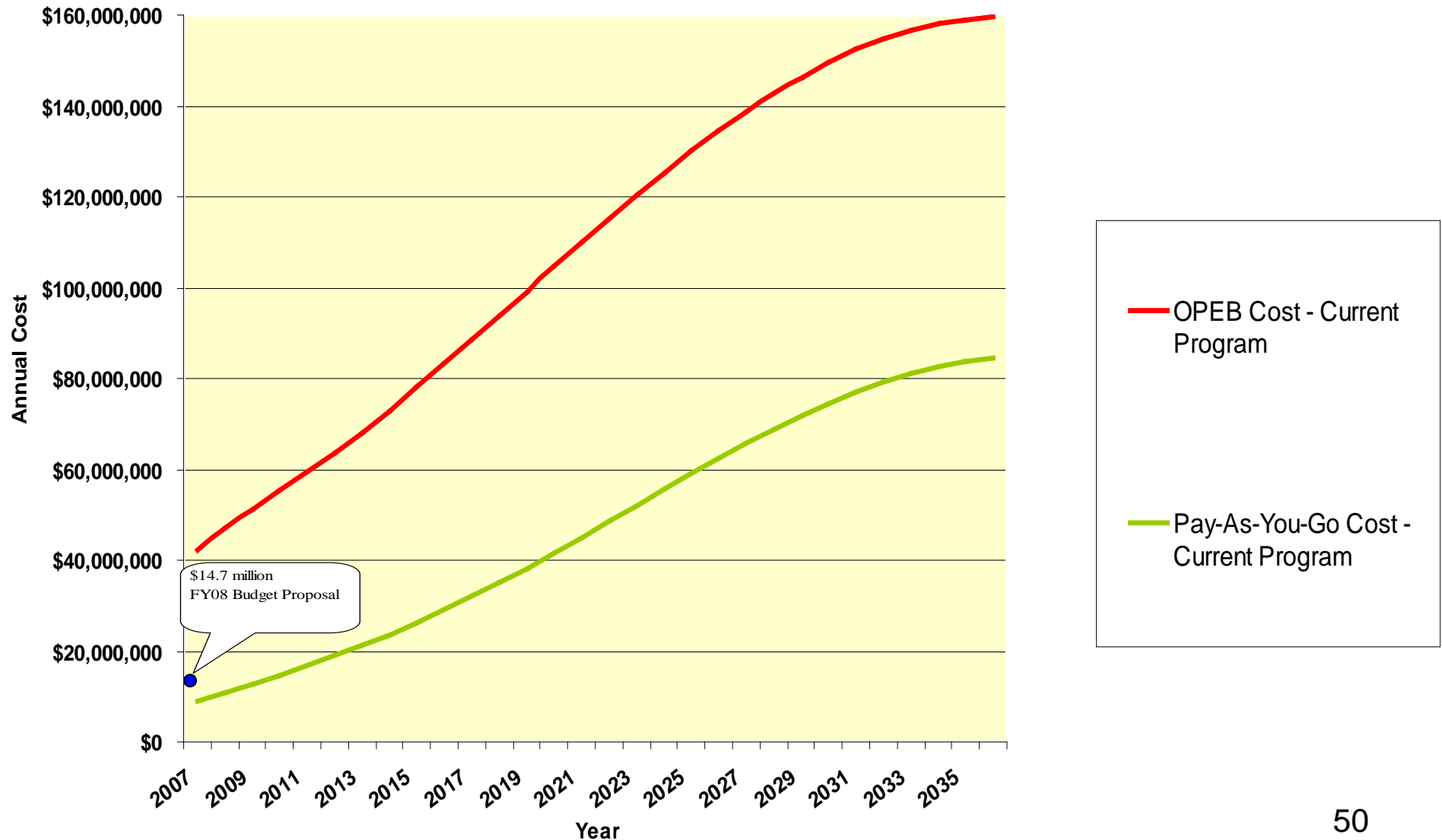
POST-EMPLOYMENT RETIREE HEALTH BENEFITS

- ❖ Mandates accrual accounting for post-employment benefits other than pensions effective in FY08
- ❖ Employers must recognize the cost in their financial statement
- ❖ Requires actuarial valuation to attribute cost to employee years of service
- ❖ Does not require employers to pre-fund post-employment benefits
- ❖ Calculations must be based on age-based premiums
- ❖ Total post employment unrecorded liability for current program: \$330 million

POST-EMPLOYMENT RETIREE HEALTH BENEFITS

Current Program Costs: Pay-As-You-Go and OPEB

OPEB = Other post-employment benefit cost as determined by GASB 45 valuation



POST-EMPLOYMENT RETIREE HEALTH BENEFITS

Next Steps:

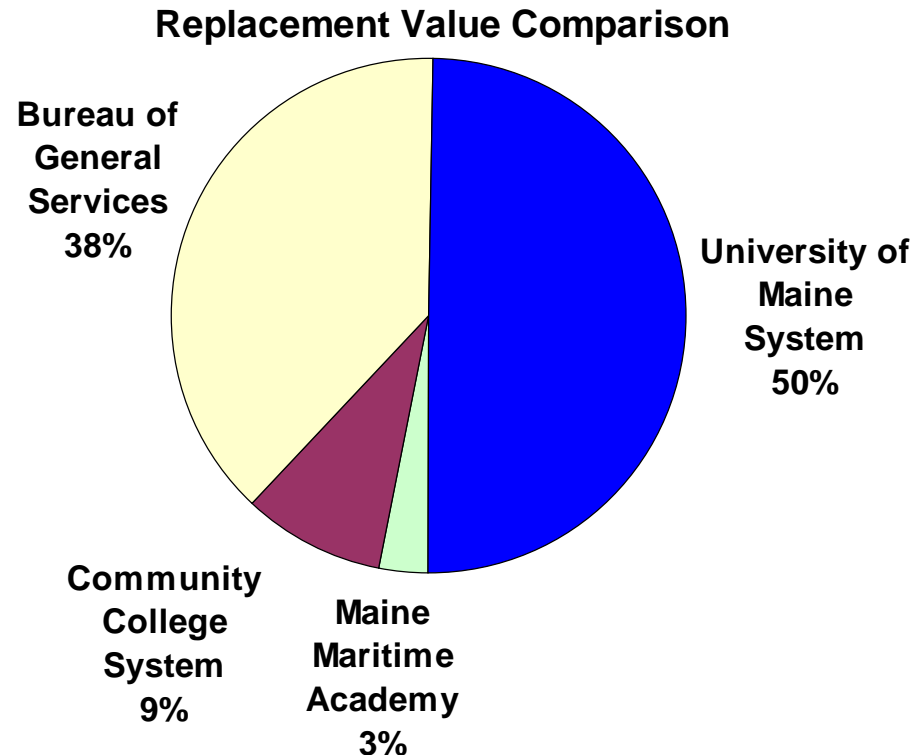
- ❖ Chancellor has established the Retiree Health Plan Task Force (RHPTF)
 - Multi-disciplinary across represented and non-represented employee groups
 - Inform and educate
 - Explore alternatives including Defined Contribution approach
 - Make recommendations to Chancellor by June 30, 2007
- ❖ Work with the State of Maine and State Legislature
- ❖ Obtain external auditor sign-off on valuation/assumptions

SECTION VI

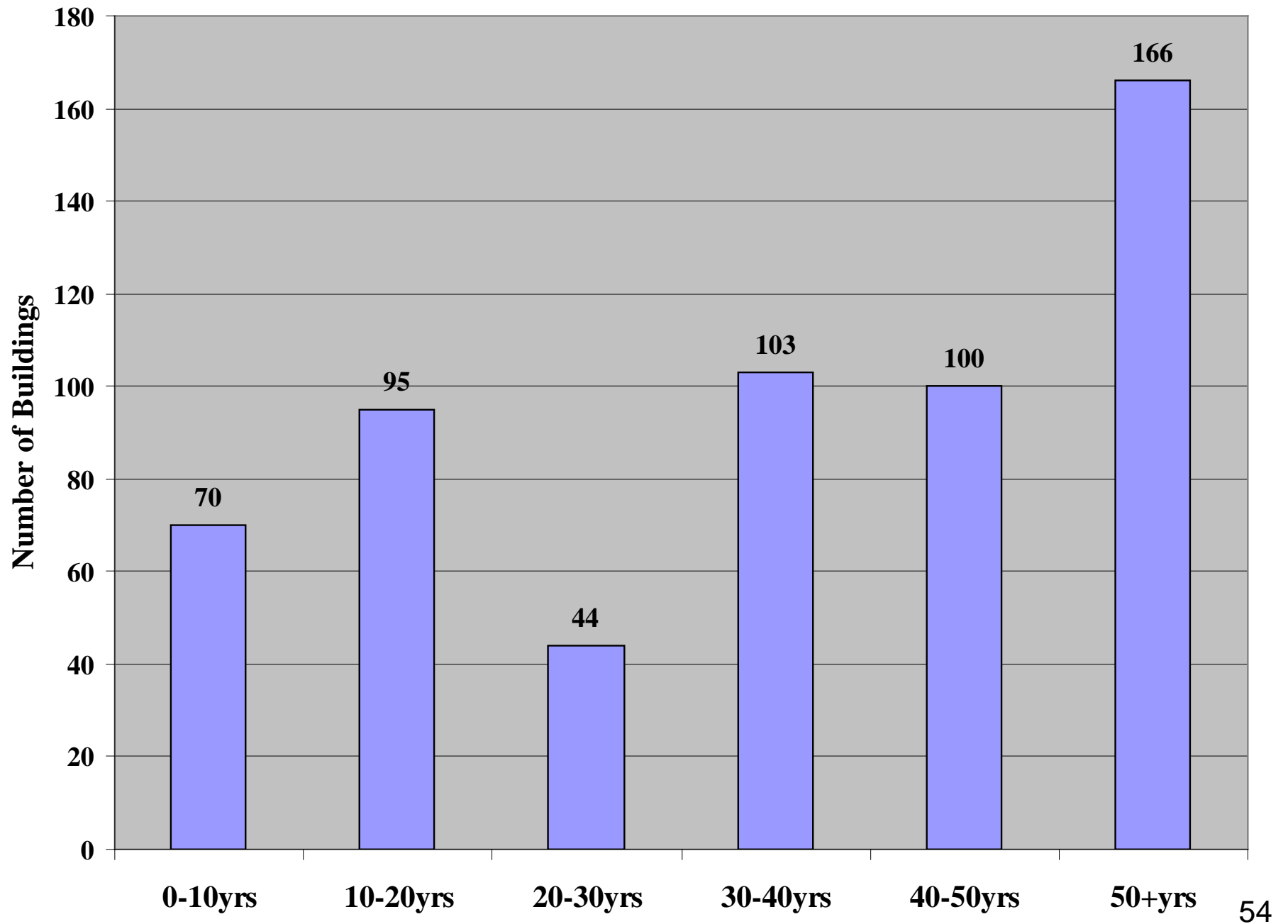
CAPITAL BUDGETING

FACILITIES OVERVIEW

- ❖ 7 Universities
- ❖ 11 major campus locations
- ❖ 10 off-campus research centers
- ❖ Buildings – 9.6 million sq. ft.
- ❖ Land >13,500 acres (2,300 developed)
- ❖ \$2 billion value



AGE OF FACILITIES



DEPRECIATION & DEFERRED MAINTENANCE

Depreciation

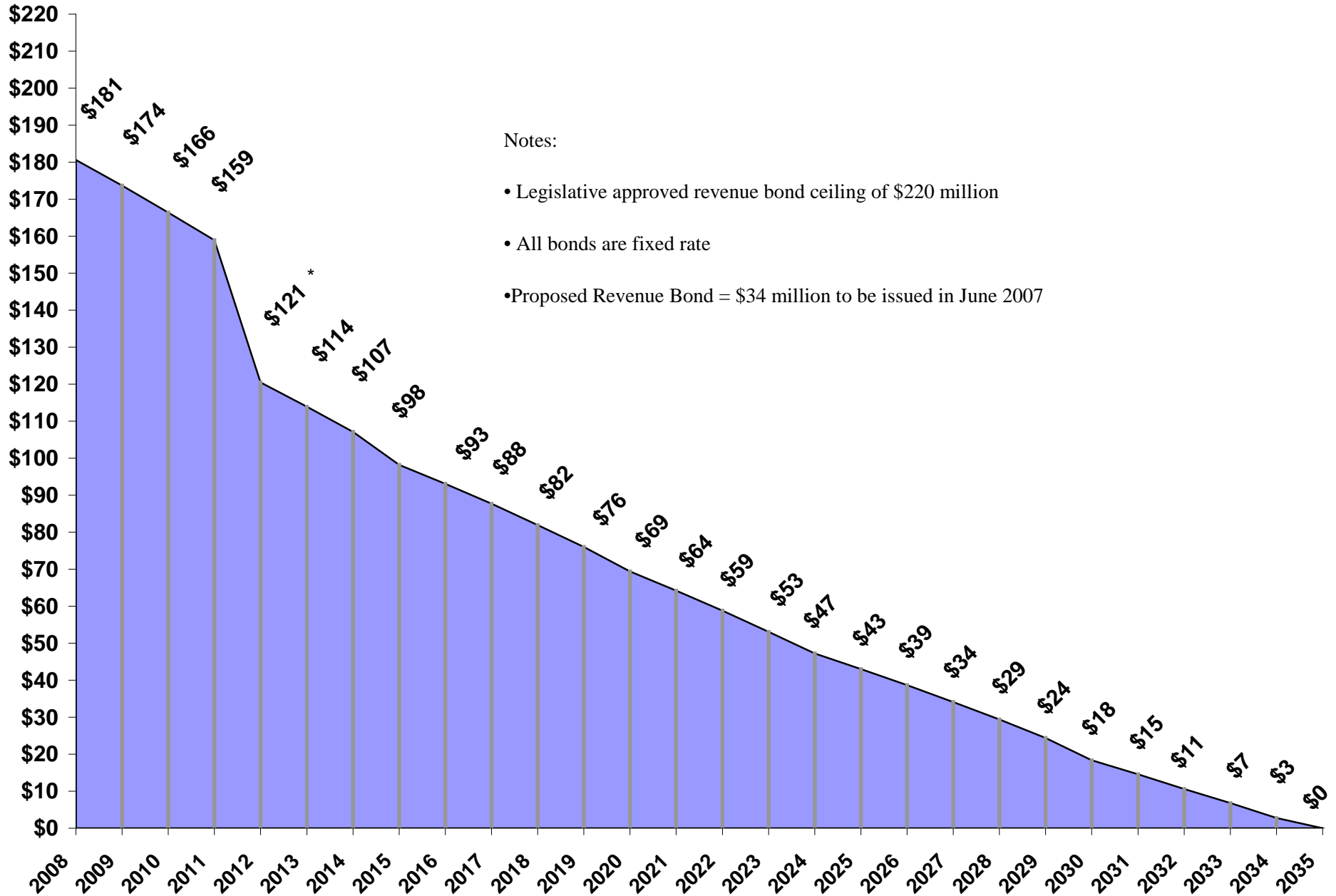
- ❖ Depreciation is allocating the cost of the capital asset to expense over the determined useful life of the asset
- ❖ Goal in place to fully fund depreciation by 2016
 - Budgeted capital expenditures plus debt service principal will equal depreciation expense
 - Helps ensure future major replacement needs are funded
 - FY08 campus budgets on target to meet goal
- ❖ Funding depreciation, however, does not fund the deferred maintenance backlog of nearly \$500 million

Impact of Deferring Maintenance

- ❖ High risk of building system failures
- ❖ Increase in emergency reactive repairs
- ❖ Significant increase in operating cost
- ❖ Adverse learning environment
- ❖ Negative image due to poor building appearance

OUTSTANDING UMS REVENUE BONDS AS OF JUNE 30

(\$ in Millions)



Notes:

- Legislative approved revenue bond ceiling of \$220 million
- All bonds are fixed rate
- Proposed Revenue Bond = \$34 million to be issued in June 2007

* Balloon payment which will be refinanced in 2012.

MAJOR APPROVED CAPITAL PROJECTS IN PROGRESS

| Campus | Project | Budget Cost | Estimated Completion (Fiscal Year) |
|---------------|--|------------------------------|---|
| UM | Dinning Hall Renovations - Hilltop | \$7.2 | 2007 |
| | Dinning Hall Renovations - Wells | 12.2 | 2008 |
| | Laboratory for Surface Science Technology | 2.0 | 2008 |
| | Residential Hall Renovations | 21.8 | 2009 |
| | Recreation Center | 25.1 | 2007 |
| | * Maine Center for the Arts - Phase I | 8.0 | 2009 |
| | * Major Maintenance Projects | 4.4 | 2009 |
| | * Hutchinson Center | 4.0 | 2010 |
| UMA | Michael Klahr Center | 2.9 | 2007 |
| | UCB Camden Hall Fit Out | 1.3 | 2008 |
| USM | DOE Toxicology Lab Expansion | 1.3 | 2007 |
| | Lewiston-Auburn New Building | 4.0 | 2007 |
| | Gorham Child Care | 1.3 | 2007 |
| | University Commons | 21.0 | 2009 |
| | Residence Hall Gorham | 21.5 | 2008 |
| ALL | State Bond Referendum to be voted in November 2007 | 23.0 | - |
| TOTAL | | <u><u>\$160.9</u></u> | |

*Projects pending Board of Trustees approval at May 2007 meeting

FUNDING FOR MAJOR CAPITAL PROJECTS

| | <u>\$ IN MILLIONS</u> |
|--------------------------------|-----------------------|
| STATE BONDS AND APPROPRIATIONS | \$36.8 |
| UMS REVENUE BONDS - ISSUED | 60.5 |
| UMS REVENUE BONDS - UNISSUED | 33.5 |
| FUNDRAISING/OTHER | 30.1 |
| TOTAL MAJOR CAPITAL PROJECTS | <u><u>\$160.9</u></u> |

SECTION VII

***MULTI-YEAR FINANCIAL
PLANNING FACTORS***

LONG-RANGE FINANCIAL PLANNING CONSIDERATIONS

- ❖ Inadequate State support
- ❖ Tuition strategy and affordability
- ❖ Allocation of state appropriation
- ❖ Capital renewal
- ❖ Below market compensation levels
- ❖ Inflation
- ❖ Post-employment medical liability
- ❖ Declining demographics
- ❖ Reauthorization of Higher Education Act – up to \$6.5 million potential reduction

REVENUE SENSITIVITY ANALYSIS

(Based on FY08 Unrestricted Budget)

1% Increase in Gross Tuition \$1.9 million

1% Increase in Net Tuition \$1.5 million

1% Increase in Room & Board Revenue \$0.6 million

| | <u>In-State</u> | <u>Out-of-State</u> |
|---|-----------------|---------------------|
| <u>1% Increase in Average Annual Tuition & Mandatory Fee Rates</u> | | |
| Undergraduate | \$72 | \$182 |
| Graduate | \$63 | \$171 |
| Law | \$181 | \$282 |
| <u>1% Increase in Average Annual Room & Board Rates</u> | \$73 | \$73 |

EXPENSE SENSITIVITY ANALYSIS

(Based on FY08 Unrestricted Budget)

1% Salary Increase Including Non-Health Benefits

| | |
|---------------------|----------------------|
| Faculty | \$1.2 million |
| All Other Employees | 1.7 million |
| All Employees | <u>\$2.9 million</u> |

1% Increase in Current Employees Net Health Costs \$0.5 million

1% Increase in Goods & Services \$1.5 million

Average Current Employee Compensation with Benefits

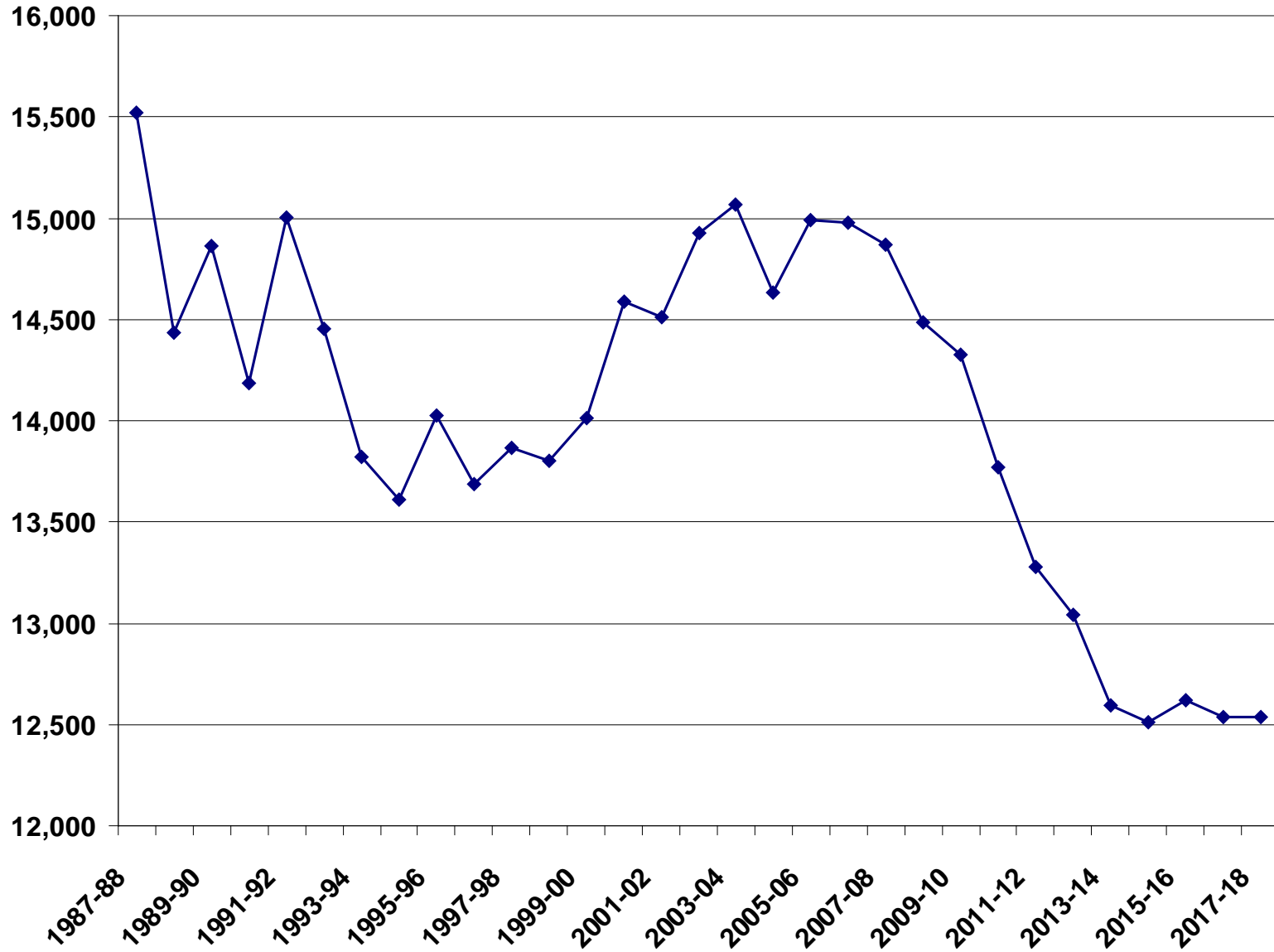
| | |
|-----------|----------|
| Faculty | \$94,000 |
| All Other | \$55,300 |
| All | \$66,000 |

STATE APPROPRIATION PER FTE STUDENT ADJUSTED FOR INFLATION



Data: Price Indices provided by Common Fund; base year FY97. FTE enrollment and state appropriations provided by UMS.

PROJECTED MAINE HIGH SCHOOL GRADUATES



Source: Western Interstate Commission for Higher Education, 2003

FY08 PROGRESS TOWARD MULTI-YEAR STRATEGIC PRIORITIES

- ❖ Compensation increases
- ❖ Effective financial aid programs
- ❖ Fund-raising campaigns
- ❖ Capital renewal issues incrementally addressed
- ❖ Continued quality service
- ❖ Balanced budgets
- ❖ Strategically selected undergraduate and graduate educational programs implemented
- ❖ Additional State research and development funding