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FY2008 Operating Budget and Student Charges

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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		2007		
	June	Sept	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>	<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

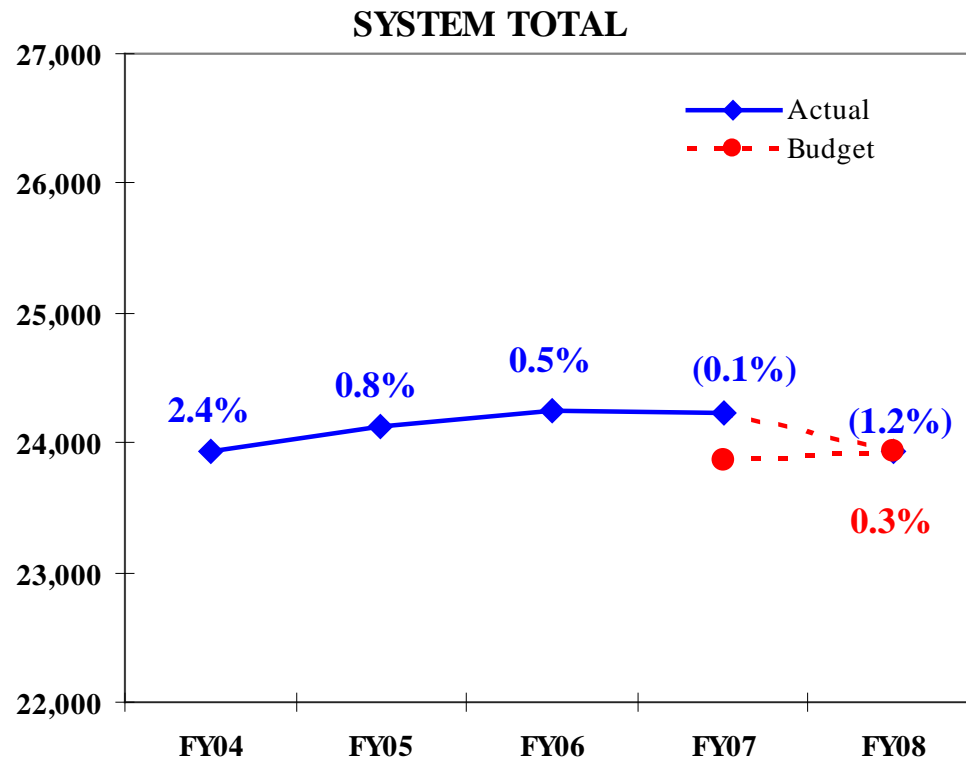
(See Appendix for Detailed Student Charges)

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)

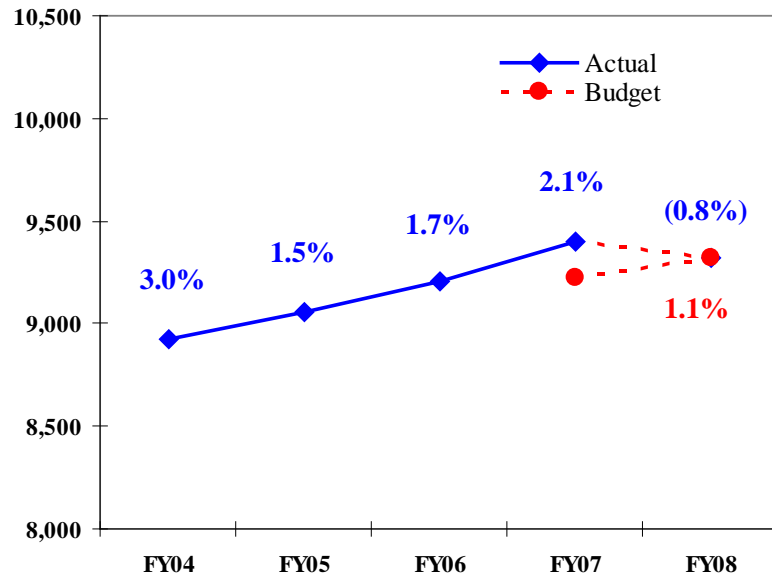
- ❖ FY08 budgeted enrollment of 23,940 reflects a 0.3% increase compared to FY07 budgeted enrollment but overall reflects a 1.2% decrease from FY07 actual; varies greatly by campus
- ❖ The number of Maine high school graduates is beginning to decline



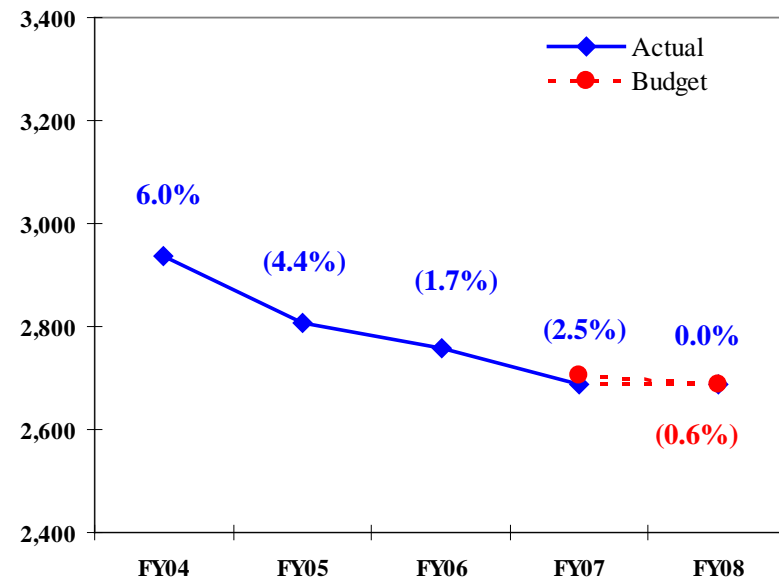
-Over the past 5 years, enrollments have increased 2.4%

FALL STUDENT ENROLLMENT (FTE's)

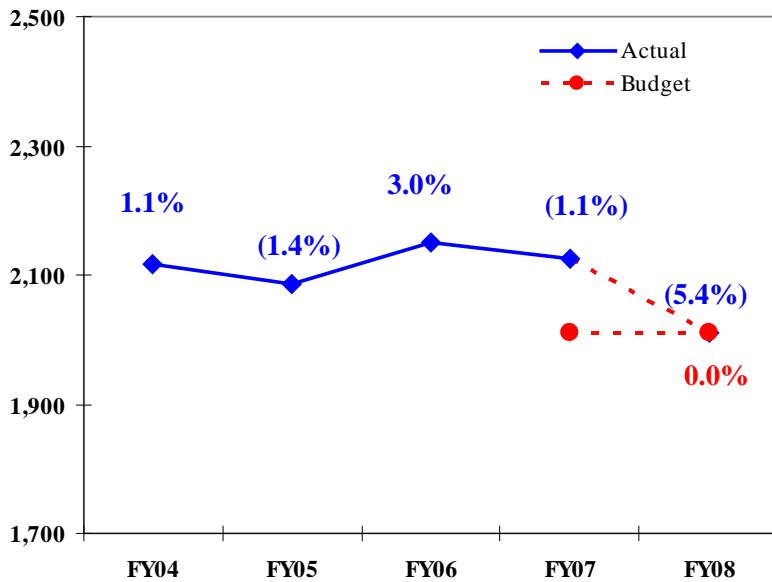
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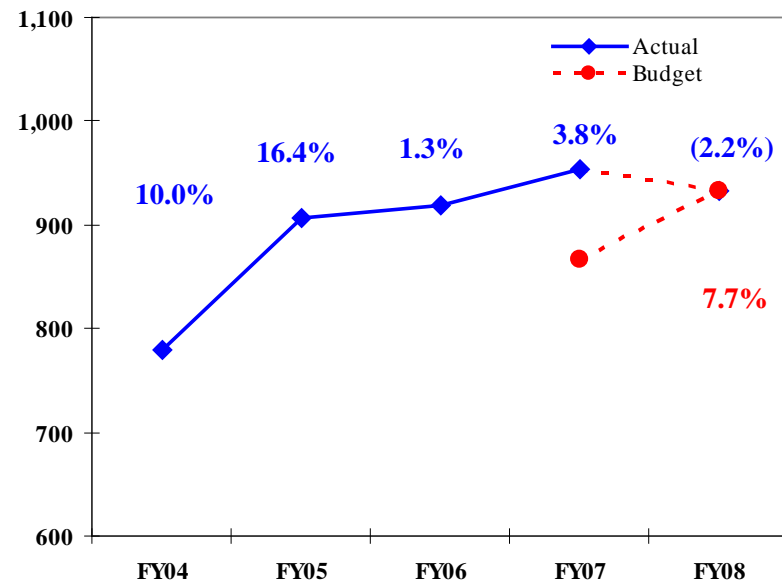
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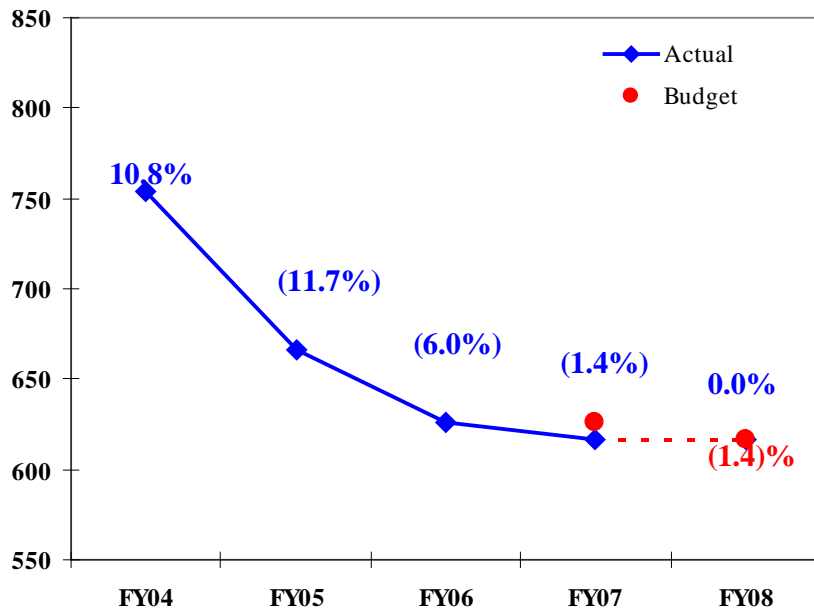


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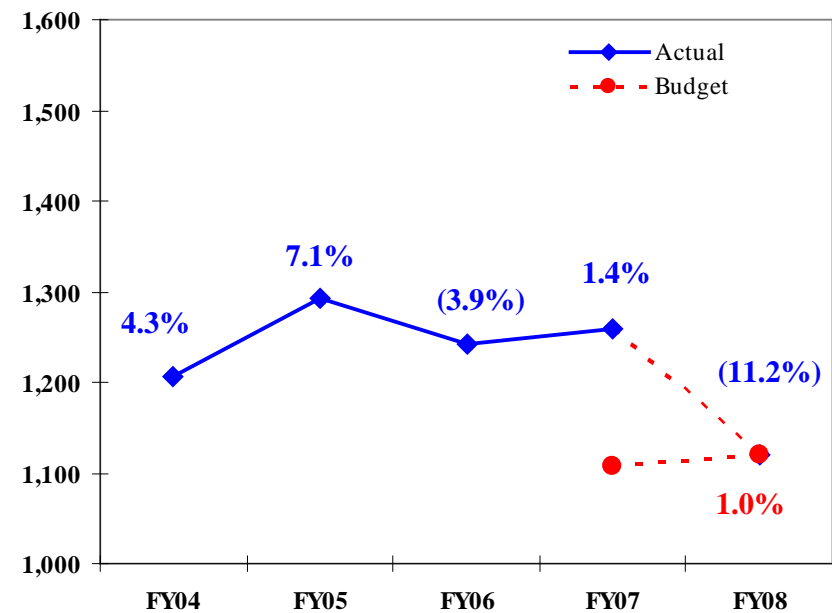


FALL STUDENT ENROLLMENT (FTE's)

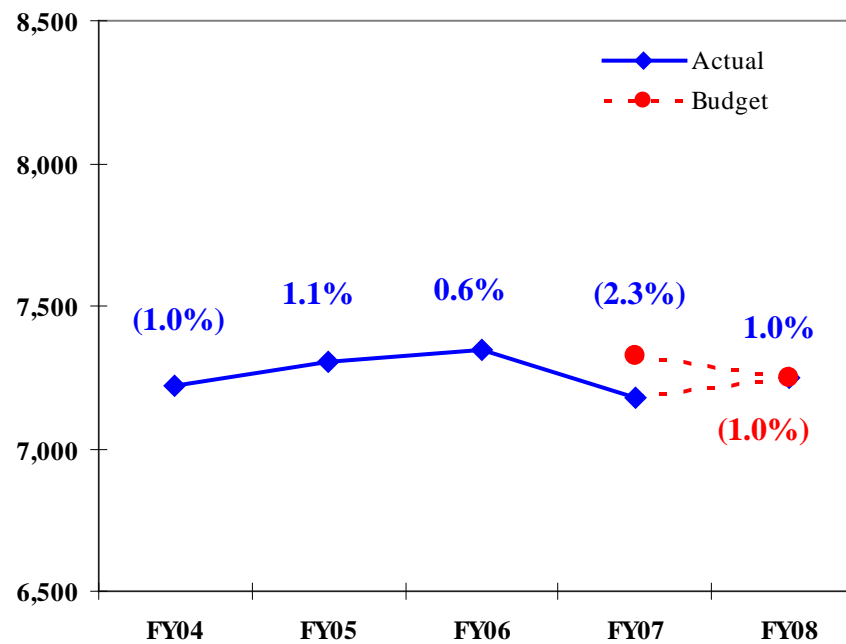
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USM



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
Weighted Avg.				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

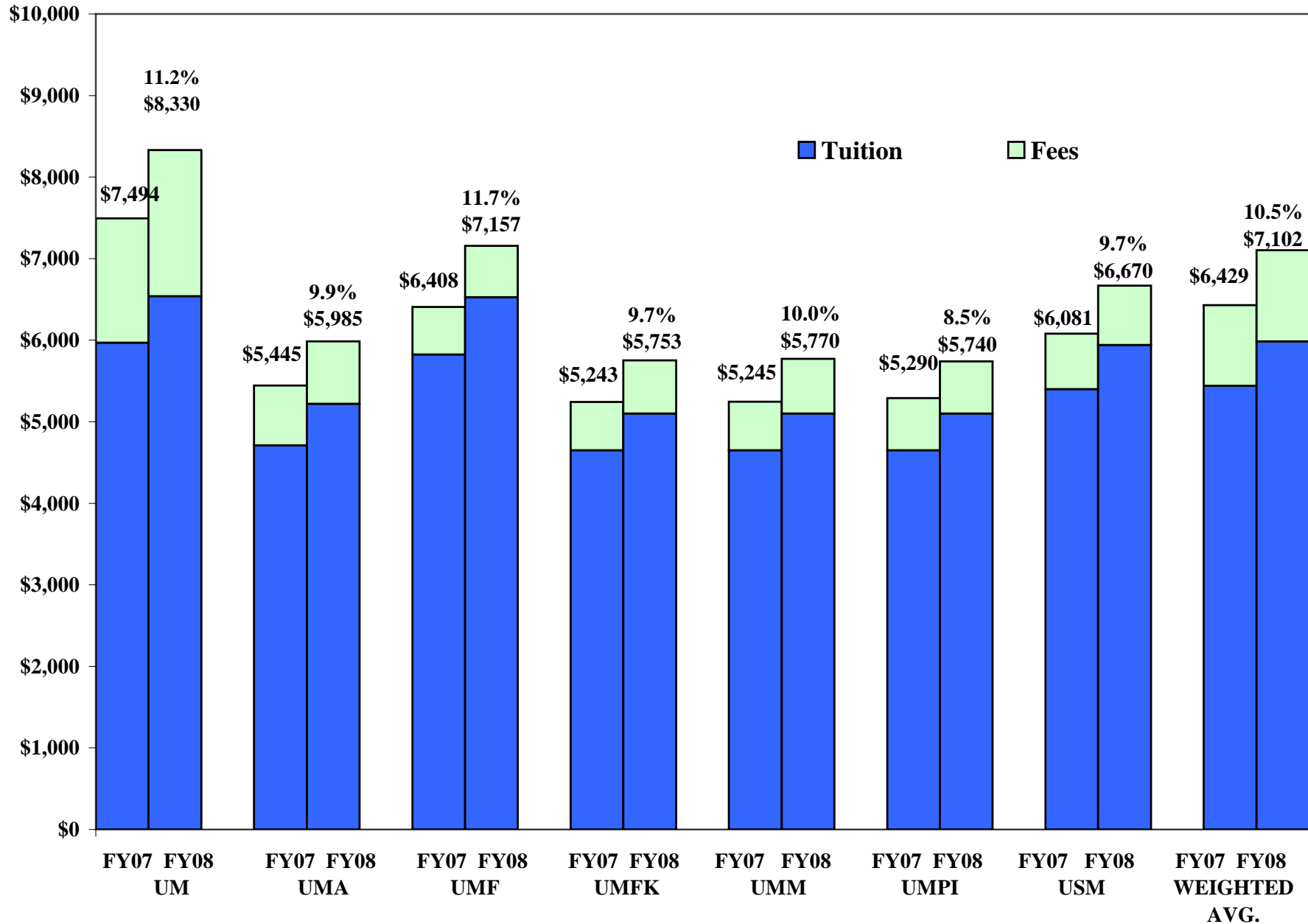
Note: Undergraduate fees based on 30 credit hours (32 credit hours for UMF).

FY08 MANDATORY FEES INCREASES

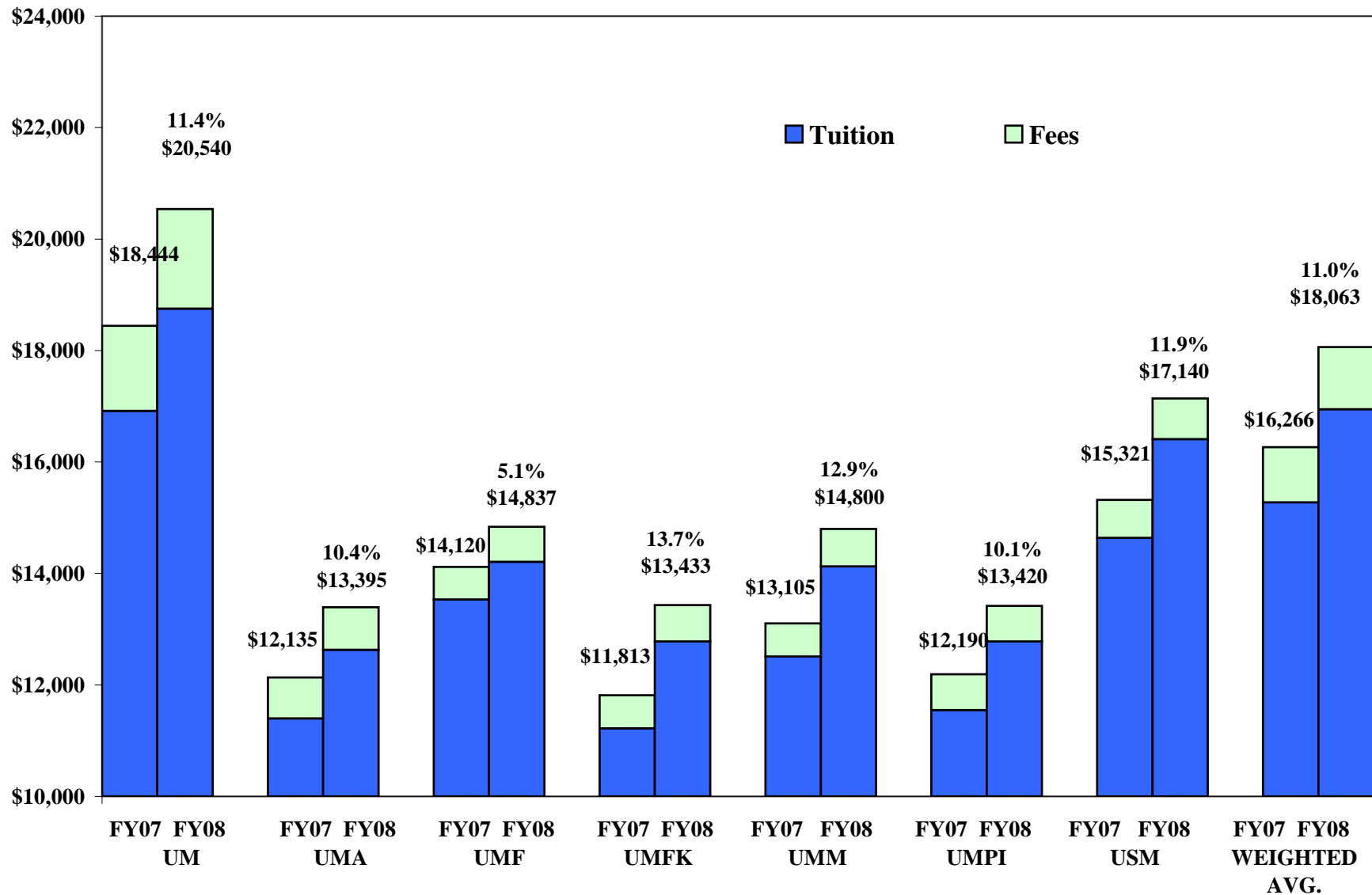
		<u>FY07</u>	<u>FY08</u>	<u>Annual Increase</u>	
				<u>\$</u>	<u>%</u>
<u>GRADUATE</u>					
UM	Communications	\$30	\$30	-	-
	Recreation Center	-	196	\$196	New Fee
	Unified Fee	574	602	28	4.9
	Student Activity	40	40	-	-
		\$644	\$868	\$224	34.8
USM	Unified Fee	\$351	\$378	\$27	7.7
<u>LAW</u>	Unified Fee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



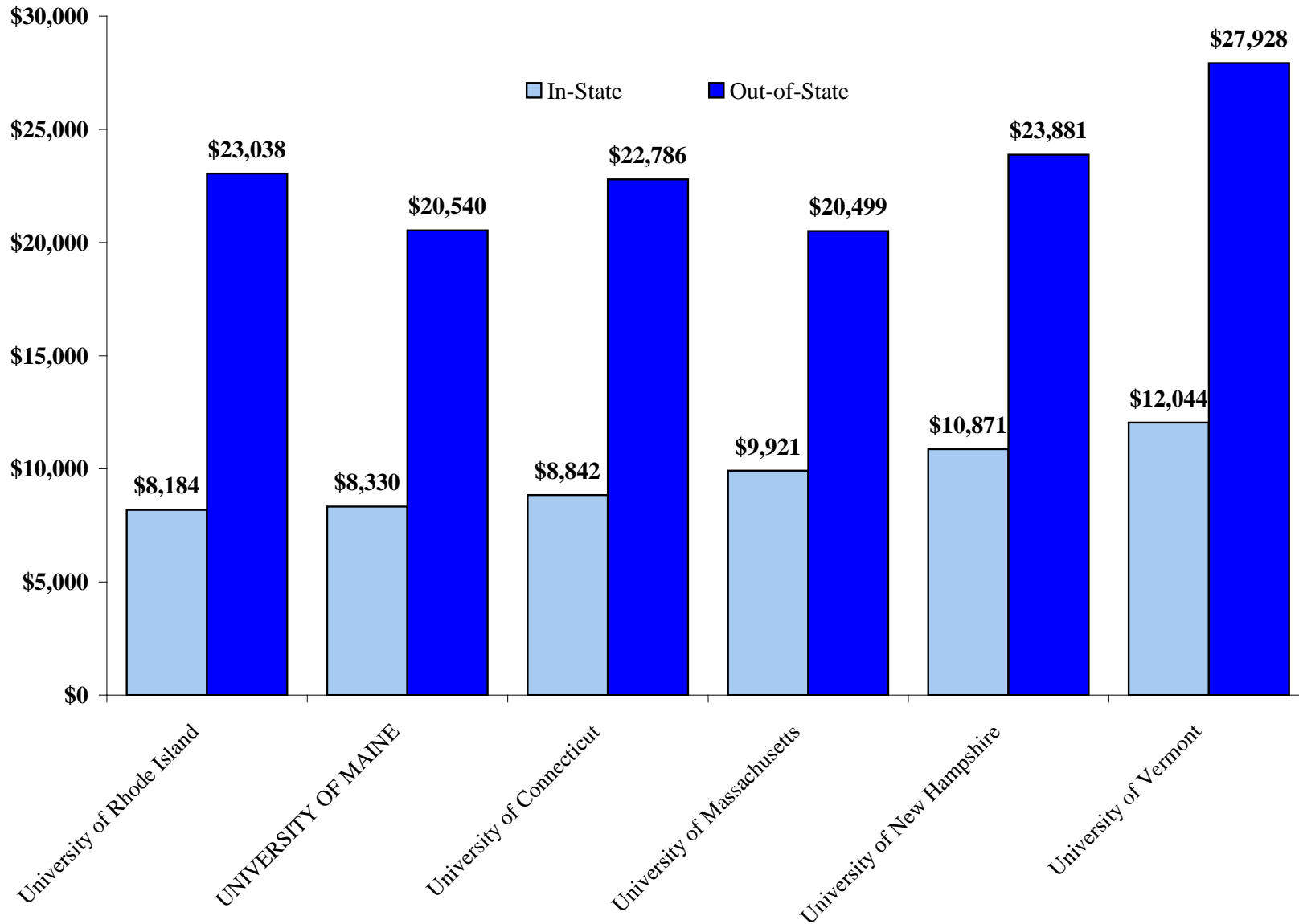
OUT-OF-STATE FULL-TIME TUITION & MANDATORY FEES COMPARISON



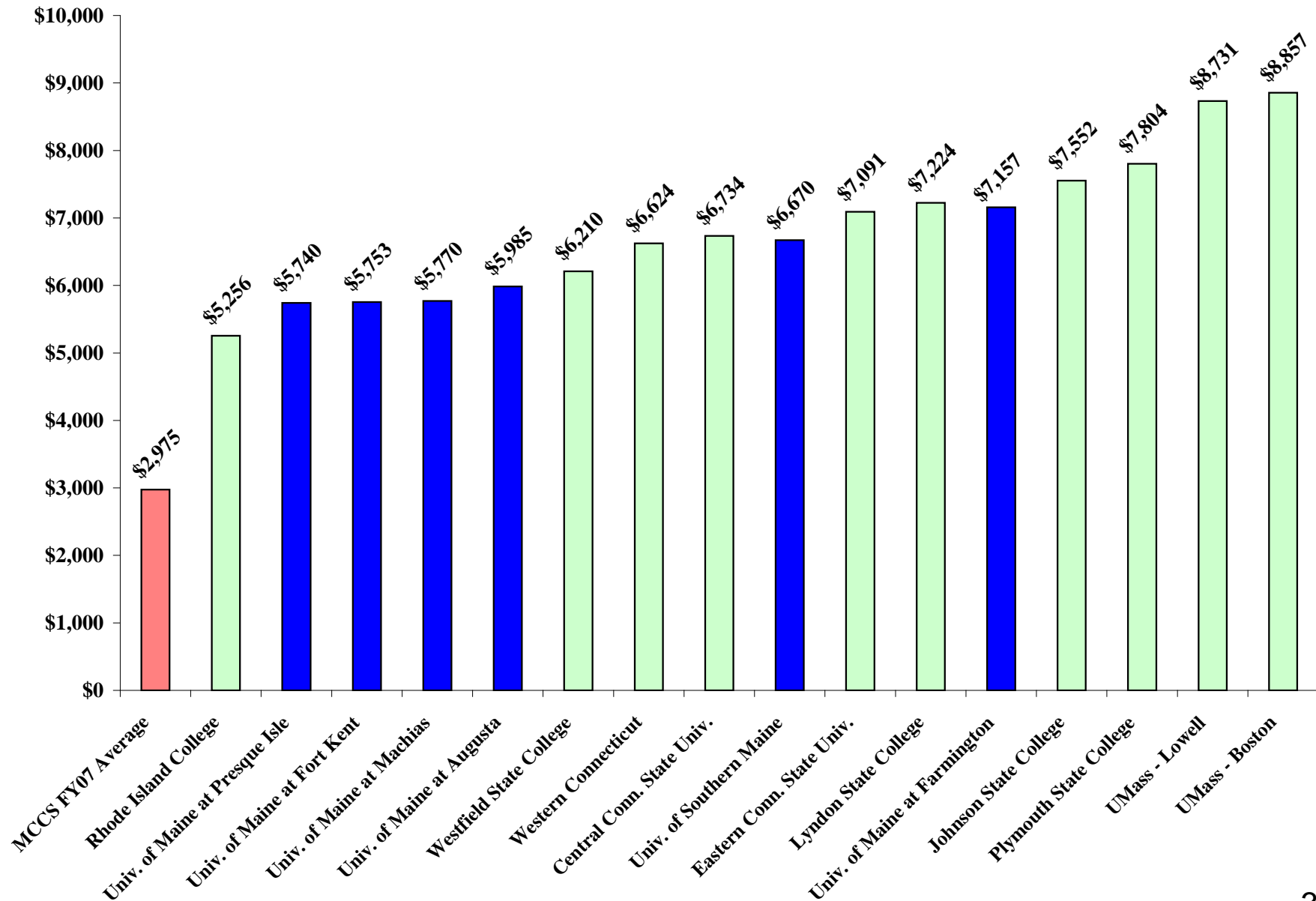
NEW ENGLAND LAND-GRANT UNIVERSITIES

ESTIMATED FULL-TIME UNDERGRADUATE TUITION & MANDATORY FEES

FY08

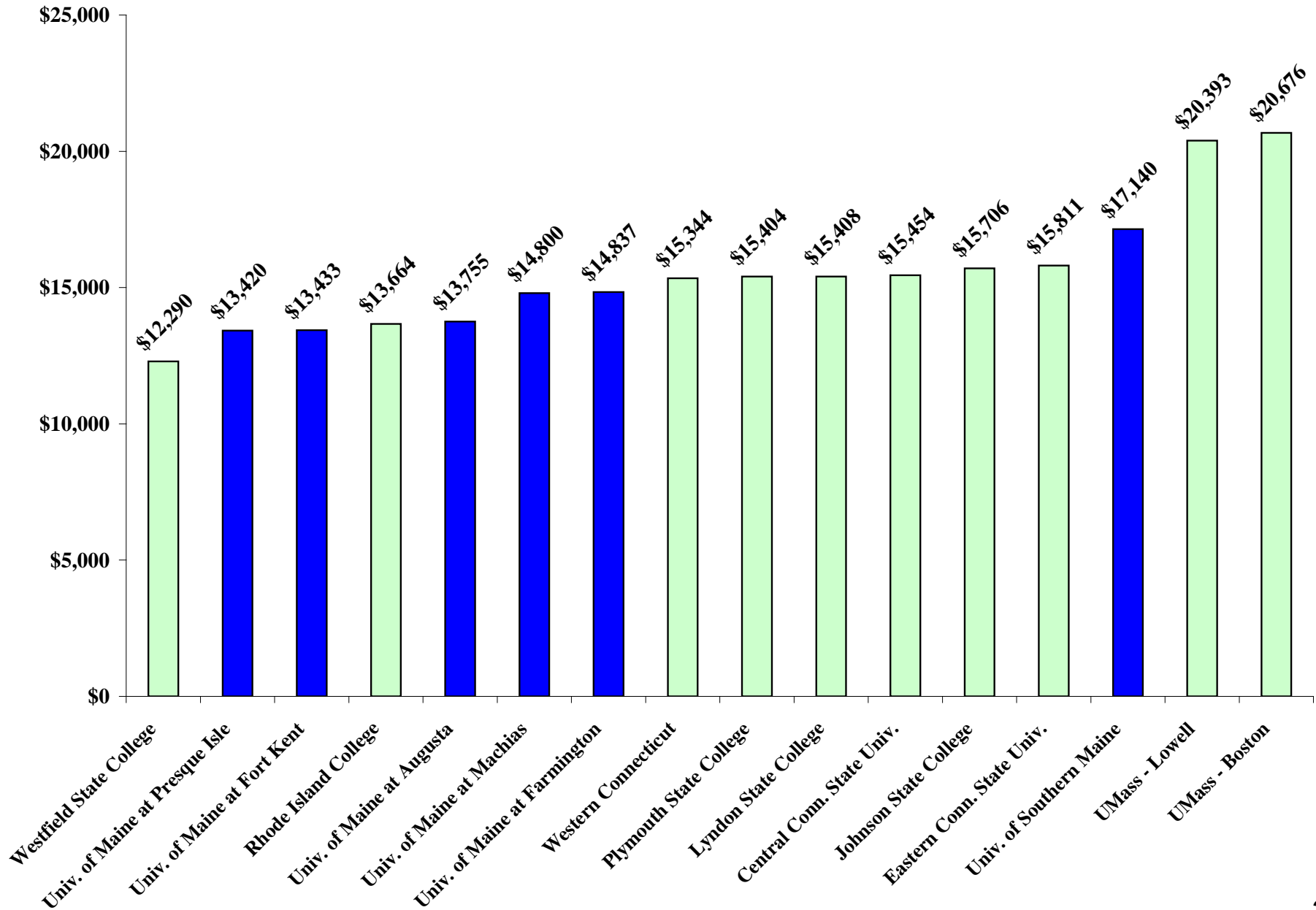


SELECTED NEW ENGLAND STATE COLLEGES & UNIVERSITIES ESTIMATED FULL-TIME UNDERGRADUATE IN-STATE TUITION & MANDATORY FEES FY08



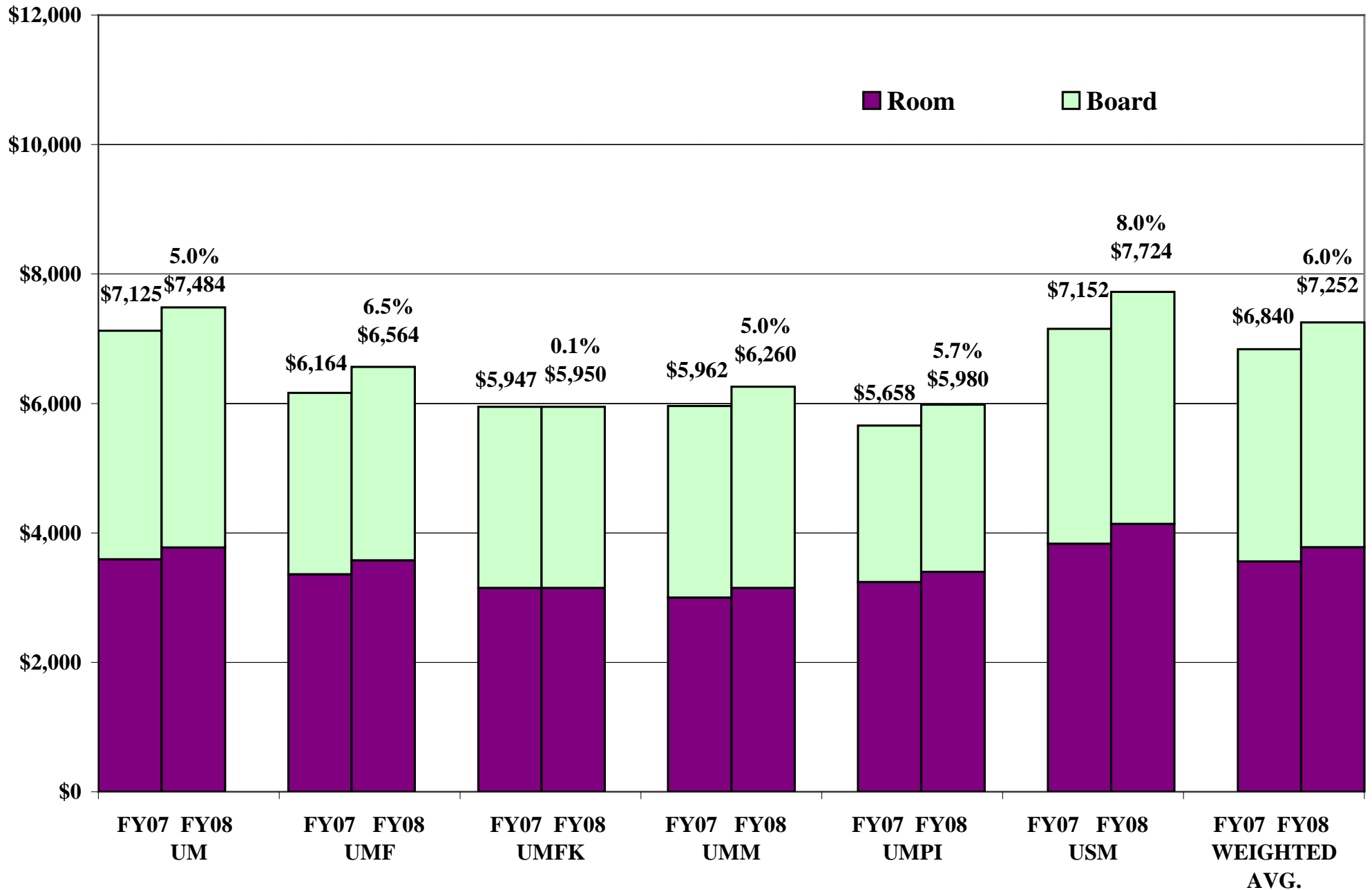
Source: Telephone calls & websites

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

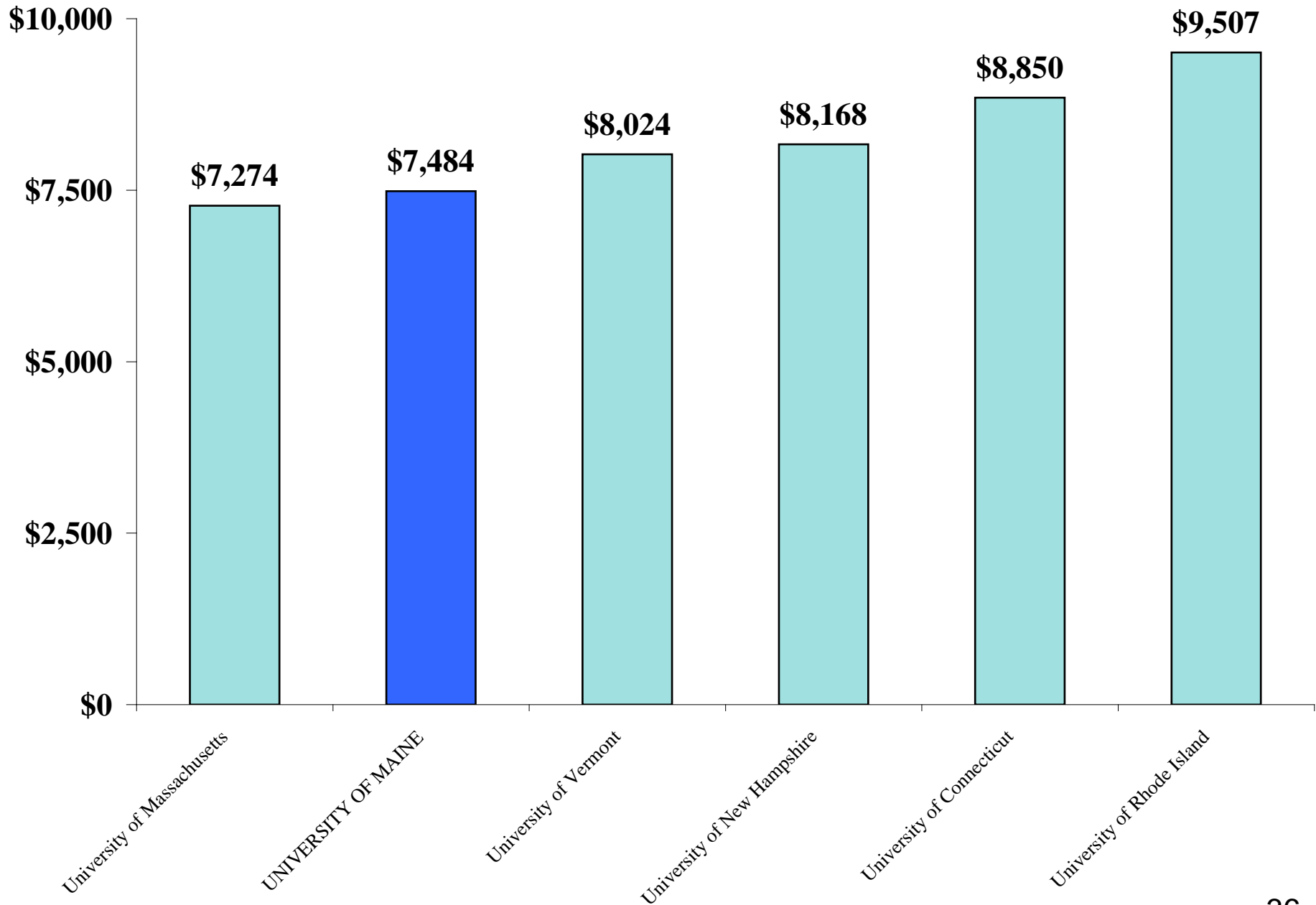


Source: Telephone calls & websites

FY08 PROPOSED ROOM & BOARD RATE INCREASES



NEW ENGLAND LAND-GRANT UNIVERSITIES ESTIMATED ROOM & BOARD FY08

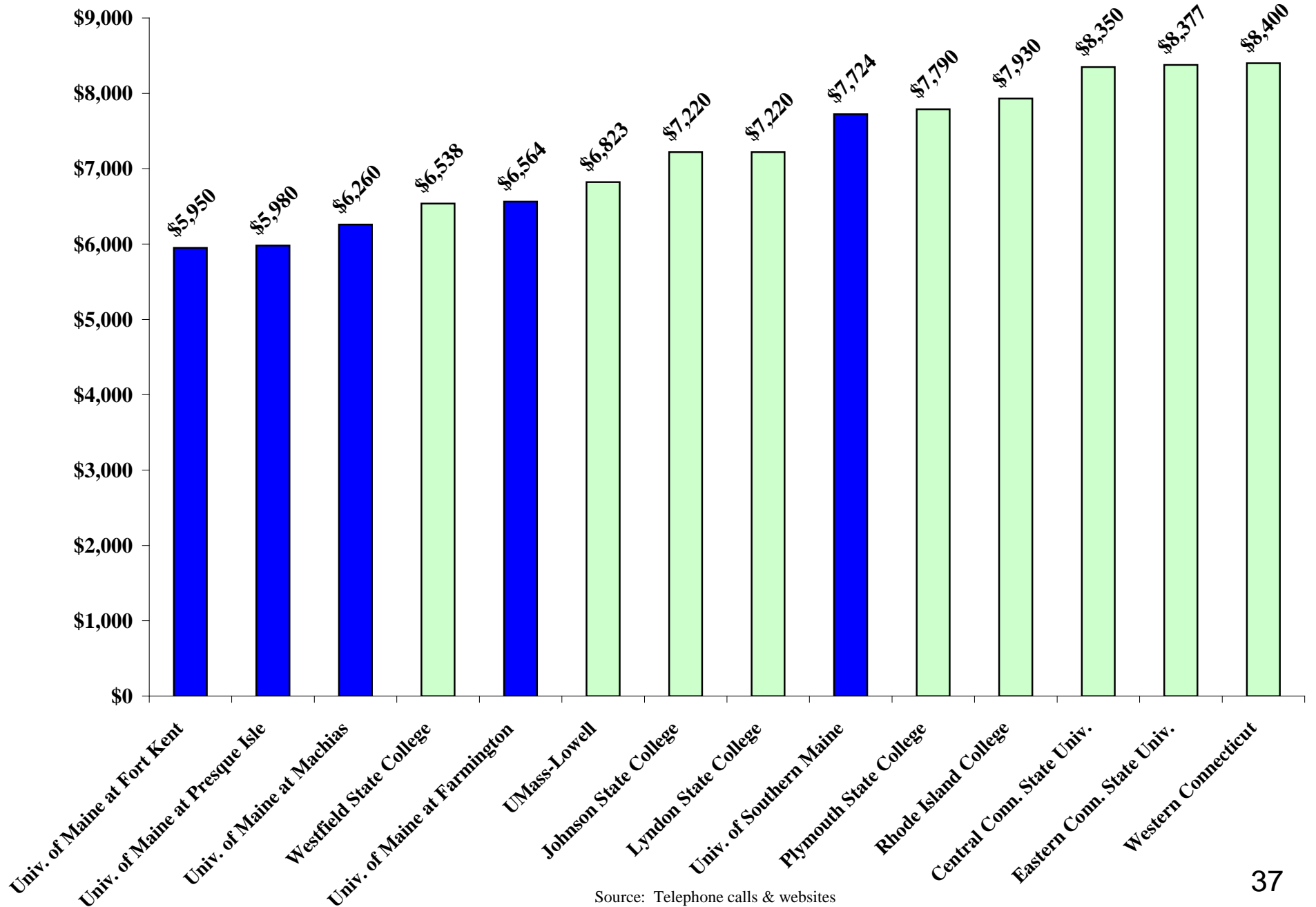


Source: Telephone calls & websites

SELECTED NEW ENGLAND STATE COLLEGES & UNIVERSITIES

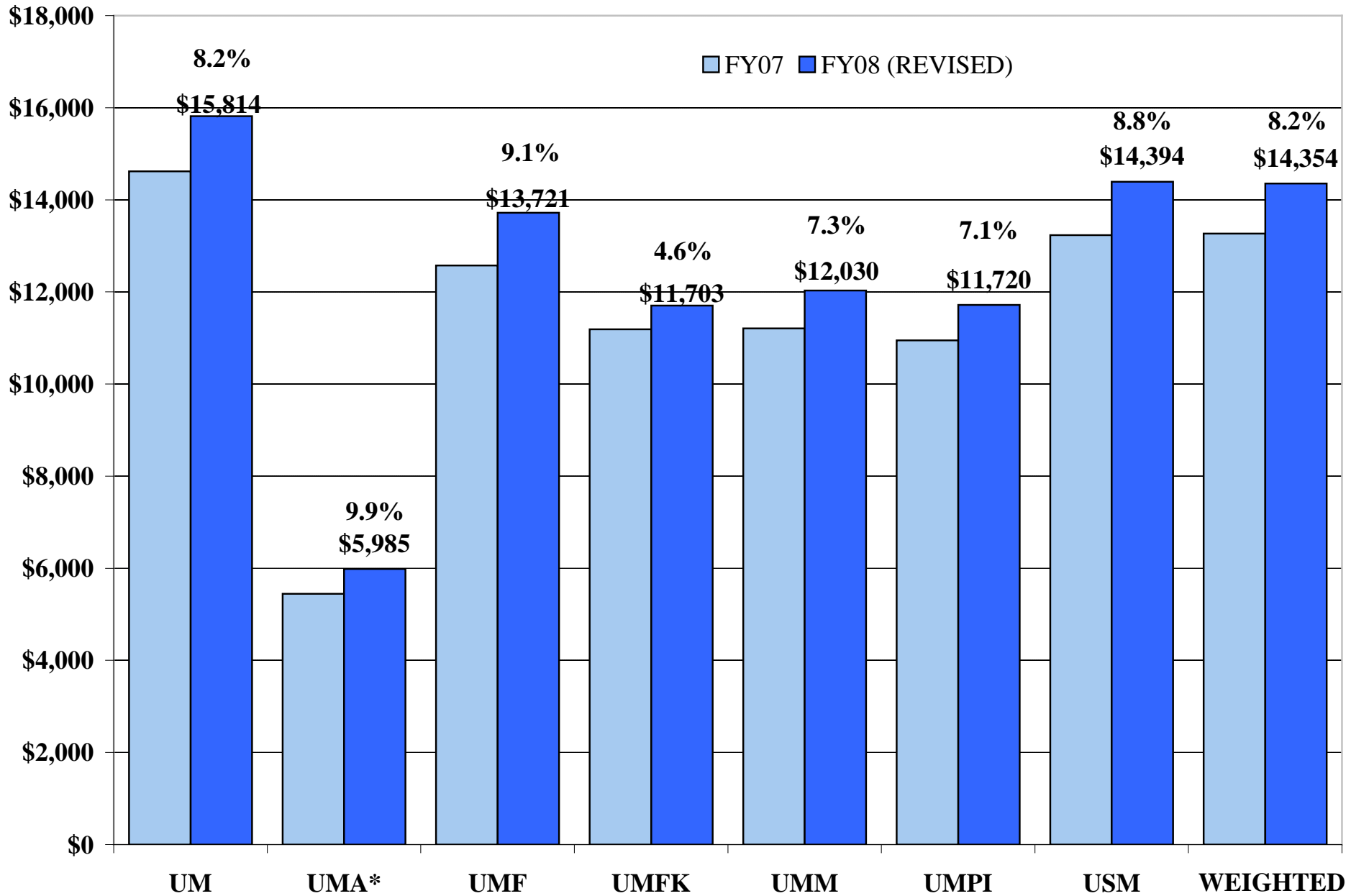
ESTIMATED ROOM & BOARD

FY08



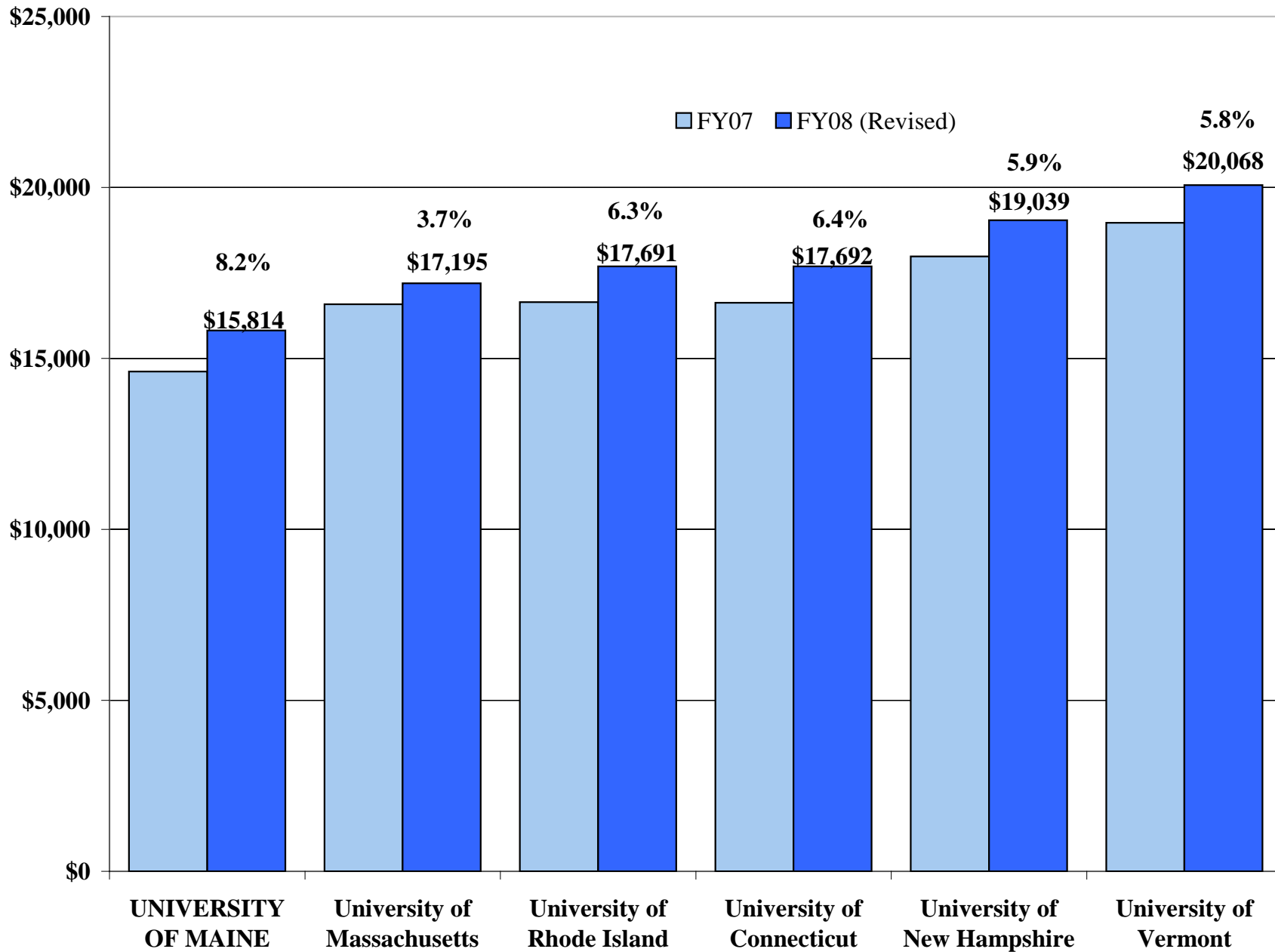
Source: Telephone calls & websites

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>	<u>Forecast FY07</u>	<u>Budgeted 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	1.0	1.1	1.2	1.1	1.4
TOTALS		<u>\$3.5</u>	<u>\$4.0</u>	<u>\$4.4</u>	<u>\$4.5</u>	<u>\$5.1</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	\$63.9	\$6.7	11.7%

*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

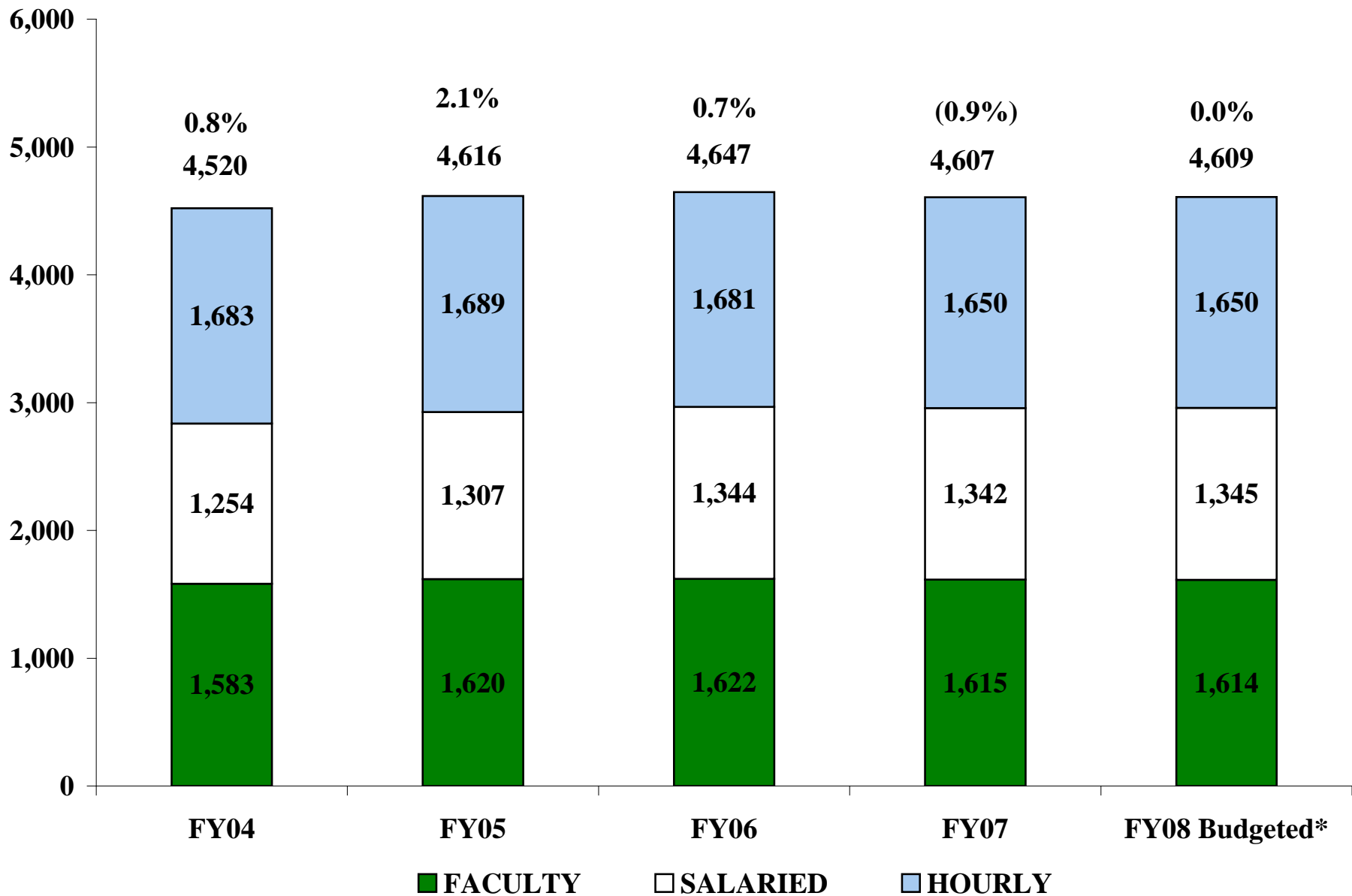
(000's)

	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		

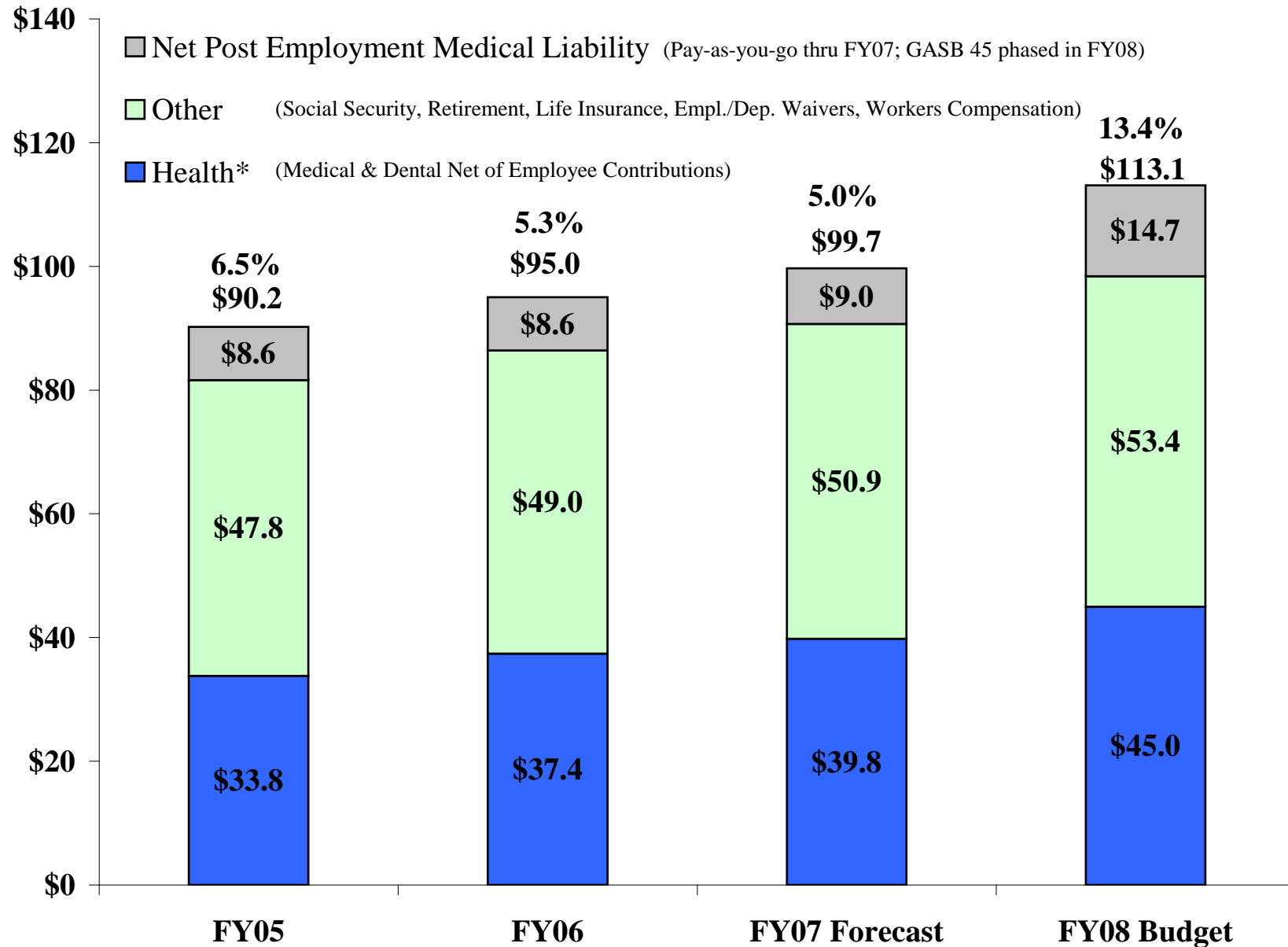
Student/Non-Faculty** Ratios (FTE)					
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
UM	5:1	6:1	5:1	6:1	6:1
UMA	15:1	15:1	15:1	14:1	14:1
UMF	9:1	10:1	10:1	9:1	10:1
UMFK	9:1	9:1	10:1	11:1	11:1
UMM	9:1	10:1	12:1	11:1	10:1
UMPI	10:1	11:1	12:1	12:1	12:1
USM	7:1	7:1	7:1	7:1	7:1
UMS*	6:1	7:1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

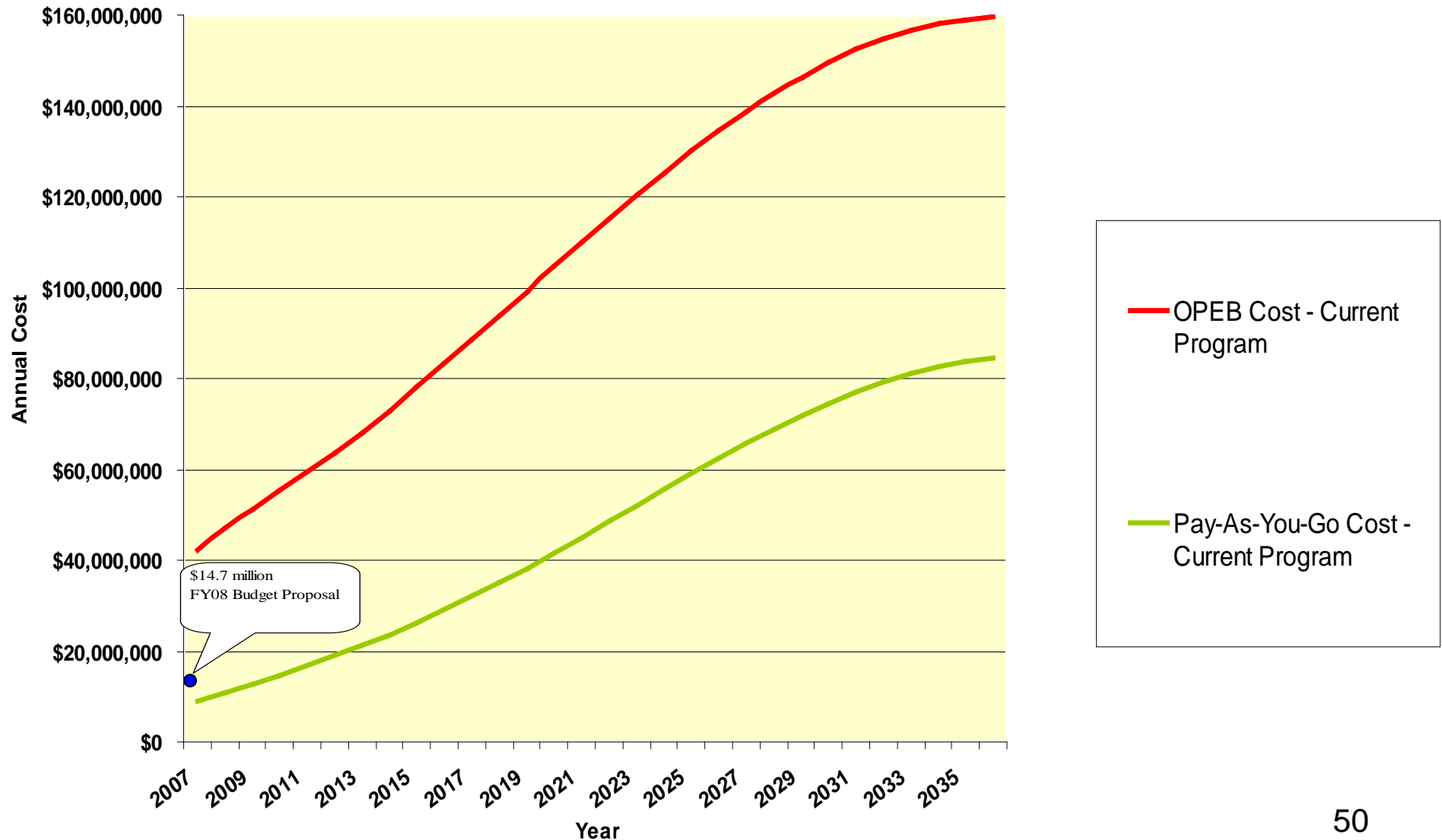
POST-EMPLOYMENT RETIREE HEALTH BENEFITS

- ❖ 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:

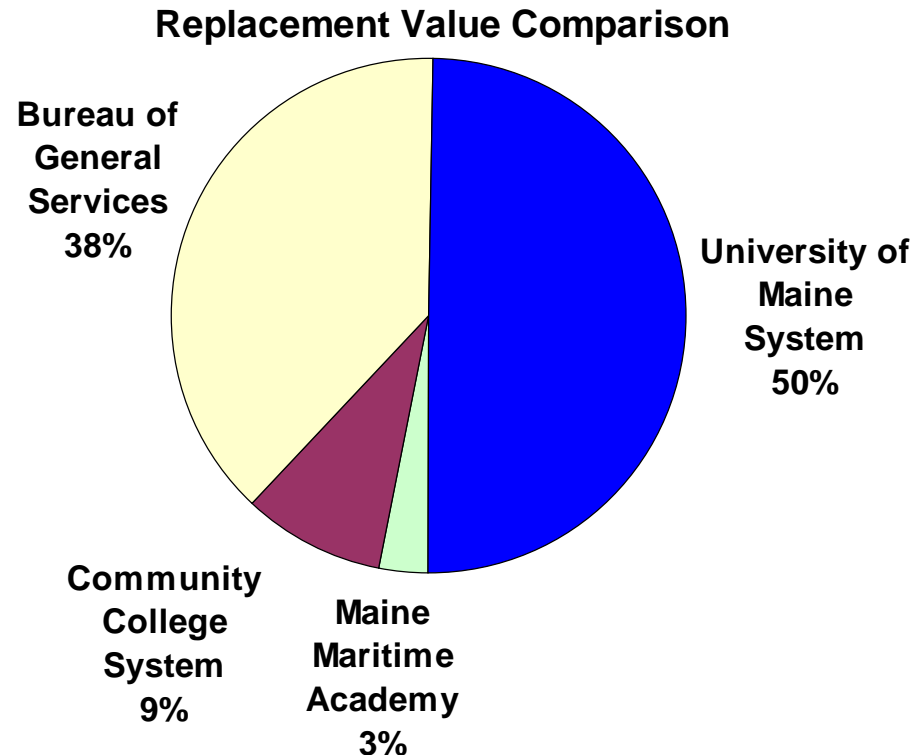
- ❖ Chancellor has established the Retiree Health Plan Task Force (RHPTF)
 - Multi-disciplinary across represented and non-represented employee groups
 - Inform and educate
 - Explore alternatives including Defined Contribution approach
 - Make recommendations to Chancellor by June 30, 2007
- ❖ Work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

SECTION VI

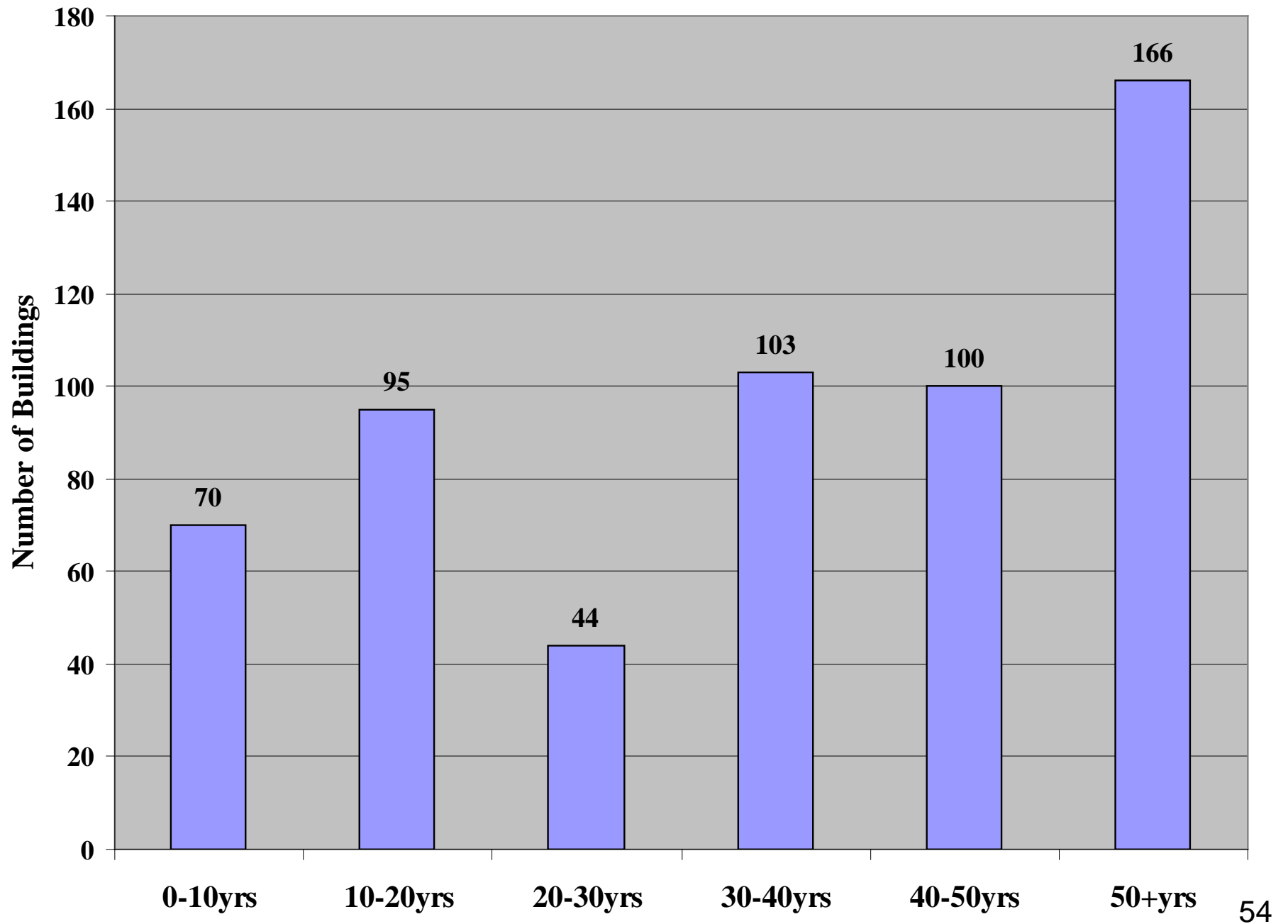
CAPITAL BUDGETING

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

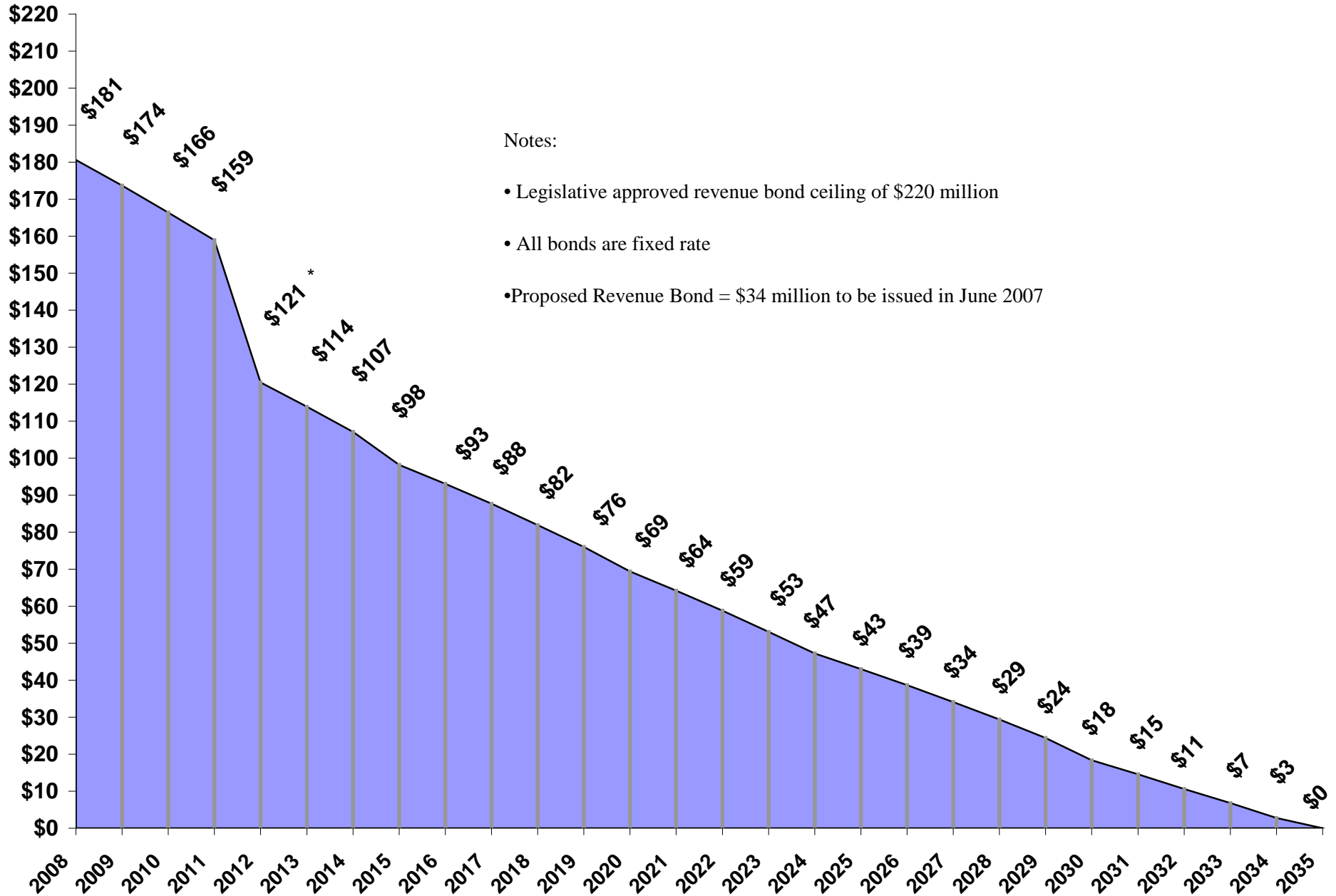
- ❖ Depreciation is allocating the cost of the capital asset to expense over the determined useful life of the asset
- ❖ Goal in place to fully fund depreciation by 2016
 - Budgeted capital expenditures plus debt service principal will equal depreciation expense
 - Helps ensure future major replacement 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>

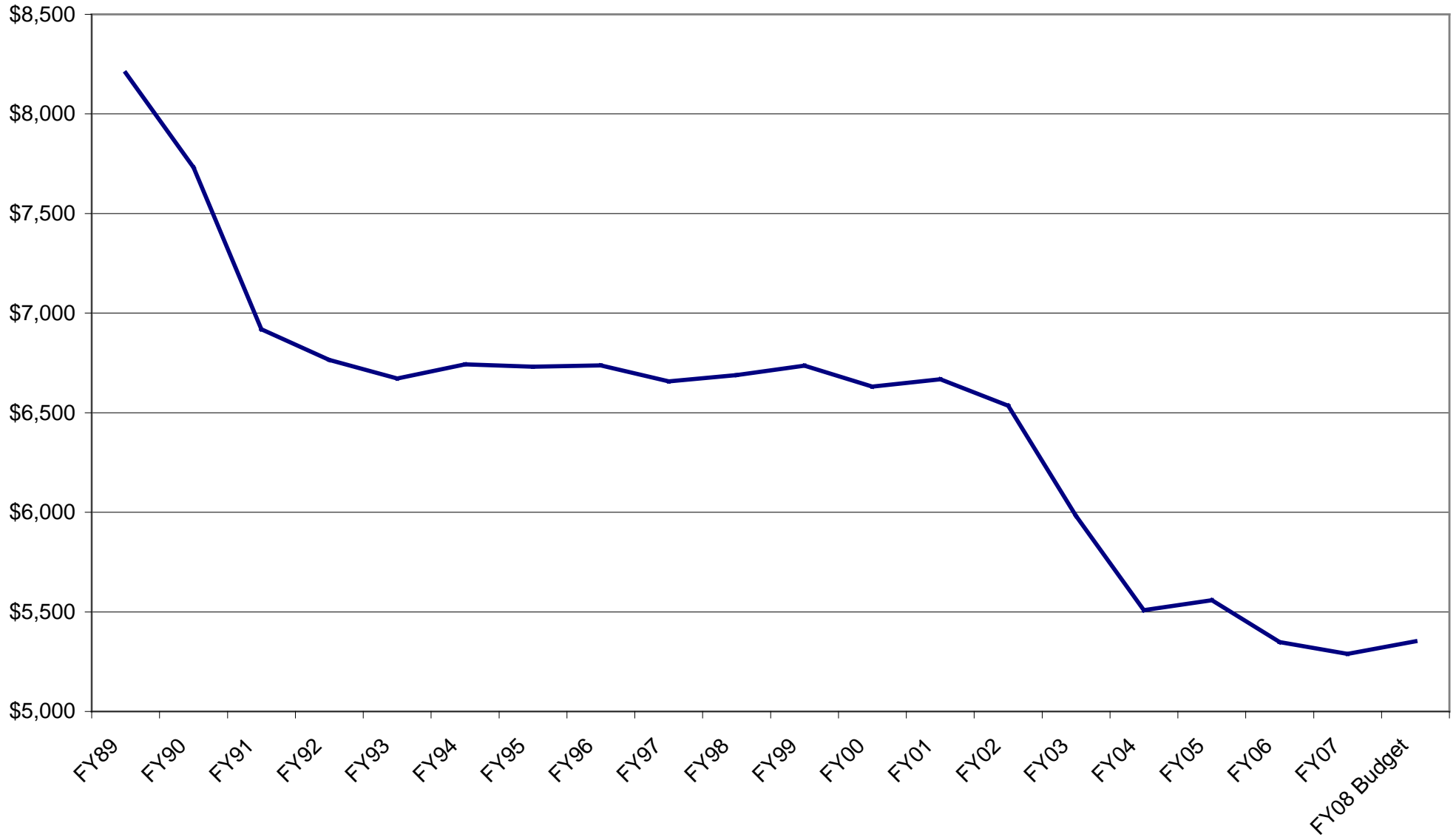
1% Increase in Current Employees Net Health Costs \$0.5 million

1% Increase in Goods & Services \$1.5 million

Average Current Employee Compensation with Benefits

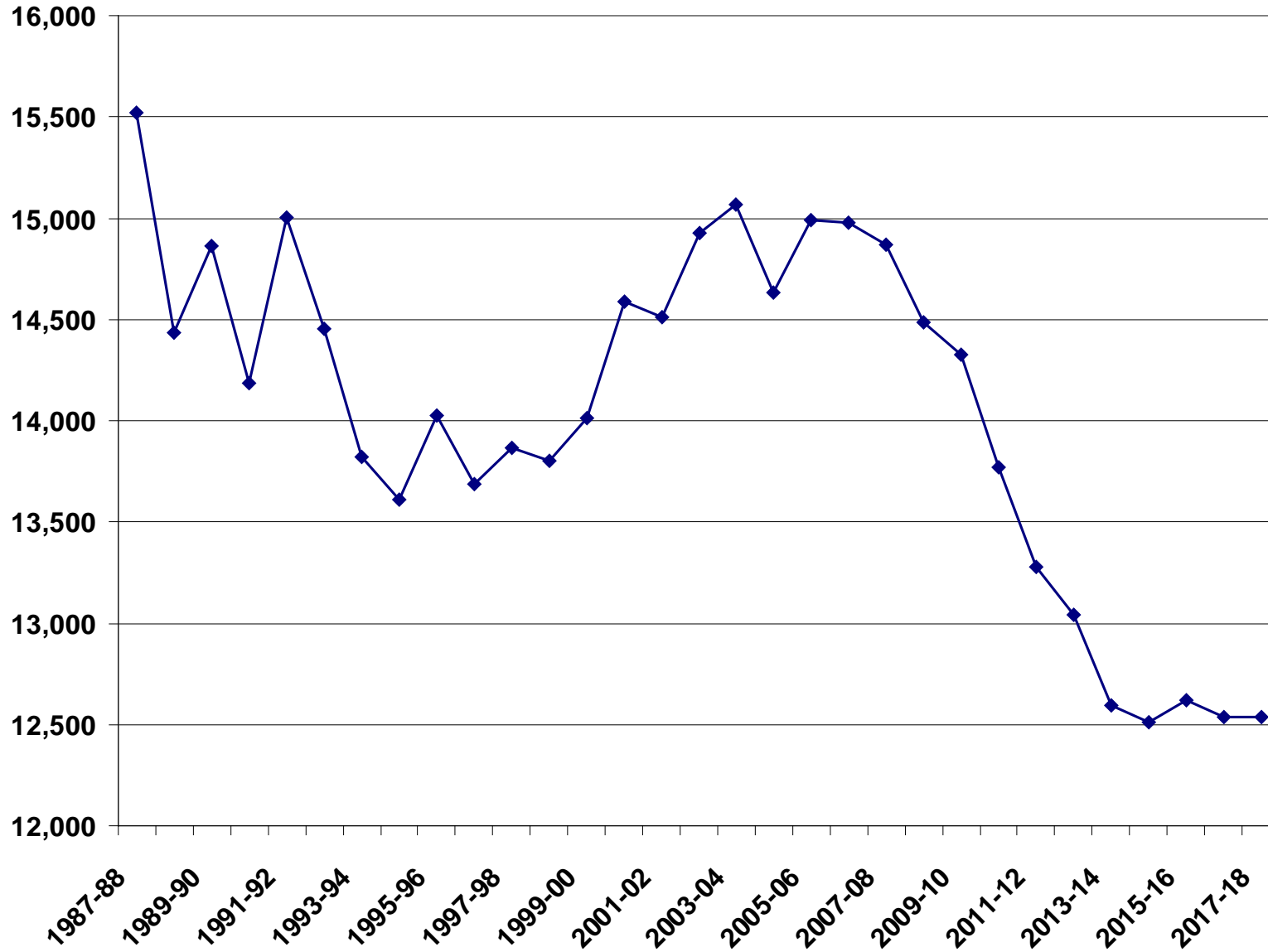
Faculty	\$94,000
All Other	\$55,300
All	\$66,000

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