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## FY2009 Operating Budget and Student Charges

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*Maine's  
Public  
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UNIVERSITY OF MAINE SYSTEM

# **FY2009 OPERATING BUDGET**

**&**

# **STUDENT CHARGES**

**May 18, 2008**

# ***SECTION I***

## ***FY09 OPERATING BUDGET***

# ***FY09 FINANCIAL PLANNING TIMETABLE***

	2007 Sept	Oct	Nov	Dec	2008 Jan	Feb	Mar	Apr	May	
<b>FY08 Financial Forecasts</b>			X			X			X	
<b>Campuses prepare FY09 structural gap analysis</b>	X									
<b>Supplemental request submitted</b>		15								
<b>Multi-year planning</b>			●	—————						●
<b>Presidents' Council meets to discuss FY09 budget process &amp; parameters</b>				13						
<b>Board of Trustee discussion of FY09 budget parameters</b>					13-14					
<b>Campuses prepare multiple budget scenarios with varying tuition rates and expense assumptions</b>					●	—————		●		
<b>Presidents review budgets with Chancellor</b>							●	—————		●
							17	14		
<b>Supplemental budget as legislated</b>							31			
<b>Presidents' Council review of consolidated budget</b>									8	
<b>Trustee Finance Committee reviews proposed budget &amp; student charges</b>									9	
<b>Trustees approve budget &amp; student charges for FY09</b>									18-19	

This process determined the lowest tuition increase necessary to ensure quality and fund inflationary costs given FY09 appropriation

# ***FY09 BUDGET DRIVERS***

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- ❖ Essentially flat appropriation excluding research funding
- ❖ Slight decline in enrollment
- ❖ Increases in compensation, benefits costs, GASB 45, and fuel above inflation
- ❖ Minimize student cost increases (In-State, undergraduate comprehensive cost increase of 8.3%)
  - ❖ Financial aid increases from planned sources of \$7.2 million (11.4%)
- ❖ In order to balance budget, substantial operating cost reductions of \$15.7 million (3% of operating costs) are planned across UMS
  - ❖ Every attempt has been made to minimize the impact on quality and program offerings

# STATE APPROPRIATION

	FY08			FY09		
	<u>Total</u>	<u>Increase</u>	<u>%</u>	<u>Total</u>	<u>Increase</u>	<u>%</u>
<b>Unrestricted E&amp;G</b>						
<b>Biennium Appropriation as originally legislated</b>	\$ 185.7	\$ 8.0	4.6%	\$189.1	\$ 3.4	1.8%
<b>UMS Supplemental Request (add'l \$8.0 million)</b>				\$197.1	\$ 11.4	6.1%
<b>Supplemental Budget as legislated</b>				\$186.0	\$ 0.3	0.2%
	FY08			FY09		
	<u>Total</u>	<u>Increase</u>	<u>%</u>	<u>Total</u>	<u>Increase</u>	<u>%</u>
<b>MEIF - Research &amp; Development</b>						
<b>Biennium Appropriation as legislated</b>	\$ 13.7	\$ 1.5	12.4%	\$ 14.7	\$ 1.0	7.3%

# ***FY09 OPERATING BUDGET***

*(Excluding Restricted)*

	<b>FY07 Actual</b>		<b>FY08 Forecast</b>		<b>FY09 Proposed Budget</b>	
<b><u>Revenues</u></b>						
Tuition & Fees	\$199.0	41%	\$212.7	43%	\$232.6	46%
Dining & Residence	53.3	11%	58.2	12%	56.7	11%
Less: Waivers/Scholarships	(30.8)	(6%)	(34.5)	(7%)	(38.9)	(8%)
Net Student Charges Revenue	\$221.5	46%	\$236.4	48%	\$250.4	49%
State Appropriation (excludes MEIF)	177.8	37%	185.7	37%	186.0	36%
Interest Income/Gift Revenue	11.8	2%	2.5	1%	6.4	1%
Indirect Cost Recovery	13.6	3%	13.4	3%	12.3	3%
Other Sales/Services/Auxiliary	54.4	12%	55.2	11%	54.9	11%
Total Net Revenues	\$479.1	100%	\$493.2	100%	\$510.0	100%
<b><u>Expenses</u></b>						
Compensation & Benefits	\$305.1	65%	\$326.6	64%	\$344.0	66%
Utilities	26.7	6%	30.9	6%	32.0	6%
Interest	6.9	1%	9.0	2%	10.4	2%
Other Expenses/Depreciation	116.0	25%	121.1	24%	116.8	22%
Matches/Transfers	12.8	3%	20.0	4%	19.0	4%
Additional Reductions			-	-	(1.5)	-
Total Expenses	\$467.5	100%	\$507.6	100%	\$520.7	100%
<b>Operating Increase/(Decrease*)</b>	<b>\$11.6</b>		<b>(\$14.4)</b>		<b>(\$10.7)</b>	
<b><u>Cash Flow</u></b>						
Operating Increase/(Decrease)	\$11.6		(\$14.4)		(\$10.7)	
Plus Depreciation	21.3		23.5		25.8	
Less: Capital Expenditures	(9.4)		(11.4)		(6.1)	
Debt Service Principal	(7.8)		(8.2)		(9.0)	
<b>Net Change</b>	<b>\$15.7</b>		<b>(\$10.5)</b>		<b>\$0.0</b>	

\*Depreciation only partially funded resulting in operating loss

# FY09 OPERATING BUDGETS BY UNRESTRICTED FUND

(Excluding Restricted)

	E&G		Auxiliary		Total	
<b><u>Revenues</u></b>						
Tuition & Fees	\$232.6	55%	-	-	\$232.6	46%
Dining & Residence	-	-	\$56.7	65%	56.7	11%
Less: Waivers/Scholarships	(37.6)	(9%)	(1.3)	(2%)	(38.9)	(8%)
Net Student Charges Revenue	\$195.0	46%	\$55.4	63%	\$250.4	49%
State Appropriation (excludes MEIF)	186.0	44%	-	-	186.0	36%
Interest Income/Gift Revenue	6.4	2%	-	-	6.4	1%
Indirect Cost Recovery	12.3	3%	-	-	12.3	3%
Other Sales/Services/Auxiliary	22.9	5%	32.0	37%	54.9	11%
Total Net Revenues	\$422.6	100%	\$87.4	100%	\$510.0	100%
<b><u>Expenses</u></b>						
Compensation	\$320.4	74%	\$23.6	27%	\$344.0	66%
Utilities	22.4	5%	9.6	11%	32.0	6%
Interest	4.2	1%	6.2	7%	10.4	2%
Other/Depreciation	70.4	16%	46.4	53%	116.8	22%
Matches/Transfers	17.7	4%	1.3	2%	19.0	4%
Additional Reductions	(1.5)	-	-	-	(1.5)	-
Total Expenses	\$433.6	100%	\$87.1	100%	\$520.7	100%
<b>Operating Increase/(Decrease*)</b>	<b>(\$11.0)</b>		<b>\$0.3</b>		<b>(\$10.7)</b>	
<b><u>Cash Flow</u></b>						
Operating Increase(Decrease)	(\$11.0)		\$0.3		(\$10.7)	
Plus Depreciation	20.9		4.9		25.8	
Less: Capital Expenditures	(4.7)		(1.4)		(6.1)	
Debt Service Principal	(5.5)		(3.5)		(9.0)	
<b>Net Change</b>	<b>(\$0.3)</b>		<b>\$0.3</b>		<b>\$0.0</b>	

\*Depreciation only partially funded resulting in operating loss



# ***FY09 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>
<b><u>Revenues</u></b>									
Tuition & Fees	\$105.0	\$19.4	\$18.9	\$7.7	\$5.2	\$7.8	\$68.6	-	\$232.6
Dining & Residence	31.1	0.0	7.9	1.4	1.7	1.8	12.8	-	56.7
Less: Waivers/Scholarships	(24.2)	(2.0)	(2.8)	(1.0)	(1.0)	(1.1)	(6.8)	-	(38.9)
Net Student Charges Revenue	\$111.9	\$17.4	\$24.0	\$8.1	\$5.9	\$8.5	\$74.6	-	\$250.4
State Appropriation	88.7	14.6	10.9	4.5	4.5	6.8	44.0	\$12.0	186.0
Other Income	43.7	2.8	1.9	0.8	0.4	1.0	17.5	5.5	73.6
Total Net Revenues	\$244.3	\$34.8	\$36.8	\$13.4	\$10.8	\$16.3	\$136.1	\$17.5	\$510.0
<b><u>Expenses</u></b>									
Compensation & Benefits	\$149.7	\$25.9	\$25.9	\$8.9	\$7.2	\$11.9	\$101.3	\$13.2	\$344.0
Utilities	17.5	1.4	2.6	1.0	1.1	1.4	5.8	1.2	32.0
Other/Depreciation	81.7	8.2	9.2	3.8	2.9	3.7	32.1	4.6	146.2
Additional Reductions	-	-	-	-	-	-	(1.5)	-	(1.5)
Total Expenses	\$248.9	\$35.5	\$37.7	\$13.7	\$11.2	\$17.0	\$137.7	\$19.0	\$520.7
<b>Operating Loss*</b>	<b>(\$4.6)</b>	<b>(\$0.7)</b>	<b>(\$0.9)</b>	<b>(\$0.3)</b>	<b>(\$0.4)</b>	<b>(\$0.7)</b>	<b>(\$1.6)</b>	<b>(\$1.5)</b>	<b>(\$10.7)</b>
<b><u>Cash Flow</u></b>									
Operating Loss	(\$4.6)	(\$0.7)	(\$0.9)	(\$0.3)	(\$0.4)	(\$0.7)	(\$1.6)	(\$1.5)	(\$10.7)
Plus Depreciation	13.6	1.0	1.4	0.5	0.5	0.8	5.5	2.5	25.8
Less: Capital Expenditures	(3.9)	(0.2)	(0.5)	(0.1)	(0.1)	(0.1)	(0.8)	(0.4)	(6.1)
Debt Service Principal	(4.8)	(0.1)	(0.4)	(0.1)	(0.1)	-	(2.9)	(0.6)	(9.0)
<b>Net Change</b>	<b>\$ 0.3</b>	<b>\$ -</b>	<b>\$ (0.4)</b>	<b>\$ -</b>	<b>(\$0.1)</b>	<b>\$ -</b>	<b>\$ 0.2</b>	<b>\$ -</b>	<b>\$0.0</b>

\*Depreciation only partially funded resulting in operating loss

# ***UM BUDGET HIGHLIGHTS***

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## ***Financial***

- **FY09 budget reflects \$5 million in cost reductions and reallocations which includes 44 position reductions.**
- **FY09 base budget is balanced by significantly reducing positions & other expenditures coupled with a growth in budgeted credit hours and significant tuition & fee increases.**
- FY09 base budget provides for increases in:
  - Compensation pursuant to collective bargaining and Board policy
  - Budgeted depreciation
  - Financial aid to assist in offsetting price
  - Utilities and fuel costs
- FY09 budgeted enrollment is 1.8% over Fall 08, approximately 1% below '08 actuals
- FY09 includes 9.6% to 9.8% tuition increases, a 9% mandatory fees increase, a 7% room and board increase, and a 4% overall compensation increase.
- Tuition waivers and scholarships increase by 11% to offset tuition and fee increases.
- Units and department expenditures are not funded at appropriate levels to support necessary operational costs to offset the years of erosion.
- Pressure is emerging on the sustainability of credit hour generation given reductions in faculty positions.

# UM BUDGET HIGHLIGHTS

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## *Strategic*

- Work towards planned implementation of Excellence Model:
  - Extensive academic strategic planning
  - Stabilizing the existing financial condition
  - Assessment of existing capacity
  - Increase retention to include the continuation of the Transitions Program and First-Year Resident Living-Learning Program
  - Increase net tuition
  - Maximize use of financial aid
  - Academic program improvements and department consolidations
  - Strong capital planning and increased facility renovation and construction
  - Targeted student recruitment to include focus on diversity
  - Realignment of financial resources to reflect enrollment changes
- Advance the Capital Campaign and Development Office to the next level
- Stronger delivery into mid-coast region through Hutchinson Center expansion and partnerships
- Continued momentum on research and economic development – now exceeding \$100 million
- Implementation and further development of the Comprehensive Campus Master Plan to include public/private partnerships
- Strengthen the Honors Program
- Consolidate graduate offices into a graduate center with graduate housing in Stodder Hall
- Increase graduate stipends and support for PhD research fellowships

# UM BUDGET HIGHLIGHTS

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## *Challenges*

- **The short and long-term financial challenge is to find a solution to chronic revenue shortfalls through a sustainable business model.**
  - Workforce management
  - Energy management
  - Dining, other auxiliary services
  - Effective outsourcing
  - Organizational consolidations
  - Town/gown relations
  - Academic management
  - Facility benchmarking
  
- Need to provide appropriate levels of compensation
- Need to fund Deferred Maintenance
- Increase enrollment growth given declining demographics
- Strengthen emergency security efforts
- Increase State base appropriation for operations, capital, and MEIF
- Determine offsetting effects of continuous position reductions
- Fund utility expenses and increased employee benefits

# UMA BUDGET HIGHLIGHTS

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## *Financial*

- **FY09 budget reflects \$536K in cost reductions and 5.5 net FTE position reductions**
  - Savings due to efficiencies realized from UMA/UC consolidation
  - 2% across the board cuts in non-compensation budgets
- Tuition increase of 9.2%
- Enrollment flat

## *Strategic*

- Fully integrate UMA/UC operations and take a leadership role in revitalizing the UMS distance education mission
- Establish Development/Fundraising and Institutional Research Offices
- Develop new academic programs and delivery systems to address UMA's emerging transition as a baccalaureate institution
- Implement BS Nursing completion program
- Implement Baldrige continuous quality improvement assessment on campus
- Implement an orientation program for new faculty

## *Challenges*

- Reverse downward enrollment trend
- Identify funding to update and equip dental clinic on UCB campus
- Continue to address UCB's significant deferred maintenance
- Acquire MPBN building on UCB campus
- Identify and implement energy efficiencies
- Succession planning

# UMF BUDGET HIGHLIGHTS

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## *Financial*

- **FY09 budget reflects \$1 million in cost reductions and reallocations and 3 net position reductions**
- Revenues: budgeting heretofore unbudgeted revenues (non-degree credit hrs., etc.)
- Expenses: budgeting actual costs of part-time faculty and overloads
- Investments of about \$210K in strategic plan initiatives
- FY09 tuition increase less than originally estimated

## *Strategic*

- Accountability measures: milestone calendar, spending strategy and priority list for freezes
- Any increase or decrease less than projected for state appropriation will go to student aid
- Development efforts will focus on student aid and the new arts center
- Strategic plan is our guide for investments
  - Curriculum adjustment
  - Marketing in support of institutional image and admissions
  - Advising & retention
  - Curriculum delivery efficiencies
  - Athletics – addition of 3 sports
  - Financial planning
  - Advancement work
- Keep campus engaged in strategic process
- Determine how to maximize the utility of PeopleSoft

## *Challenges*

- Timing implications of implementations of Scannell & Kurz and Swardlick recommendations
- Enrollment: when will strategies have the intended impact?
- Future mission & cutting if enrollment not realized
- Fundraising
- Fuel costs
- Student aid & loss of Perkins Loan fund
- Campus morale and communications
- Funding of needed renovations in E&G and auxiliary areas

# ***UMFK BUDGET HIGHLIGHTS***

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## ***Financial***

- 12% increase is high but necessary in order to provide a quality program
- Compensation & energy remain the two fastest growing segments affecting the budget
- Long range desire to hold tuition increases to no more than 1% above inflation
- Continue to move toward desired residential life level

## ***Strategic***

- Match or exceed break-even point in order to maintain a balanced budget
- Increase visual aspect of website and publications
- Endowment campaign – goal of \$2.5 million over 3 years
- Continue to promote & market campus facilities to outside organizations to generate additional revenue
- Continue efforts to fill existing facilities through financial incentives and by increasing our recruitment efforts for students in southern Maine and New England.

## ***Challenges***

- Energy costs – need to explore other energy sources such as solar, wood, hydrome, etc.
- Maximize the use and benefit of PeopleSoft
- One-stop student services – need to change office structure to enhance services but will require additional capital funding

# ***UMM BUDGET HIGHLIGHTS***

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## ***Financial***

- **FY09 budget reflects \$600K in cost reductions and reallocations and 10 net position reductions**
- Level enrollment
- Proposed 12% in-state and out-of-state tuition increase
- Unified fee increase to support “smart” classrooms & instructional technology
- HEPI increases for academic departments with other operating increases held to minimum
- Residence halls still below capacity (68%) but occupancy steadily increasing
- Childcare center closed & fitness center operation restructured to eliminate annual deficit

## ***Strategic***

- Net tuition and financial aid strategies reconfirmed
- Student recruitment strategy refined to improve yield and push the ELA brand (ongoing)
- Classrooms and laboratory modernization during summer’08
- Environmental Liberal Arts (ELA) planning and implementation continues, strategically aligning curriculum, degree programs, and campus experience
- New website integrated with ELA marketing and student recruitment campaign

## ***Challenges***

- Maine demographics, especially severe in Washington County
- Funding to support the full implementation and marketing of ELA mission and focus
- Flat appropriation, deferred maintenance, internal loan repayment, no reserves



# UMPI BUDGET HIGHLIGHTS

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## *Financial*

- **FY09 budget reflects \$118K in cost reductions and reallocations and 3 net position reductions**
- Flat enrollment
- Improved retention in residence halls
- Increased fundraising opportunities

## *Strategic*

- Continued fundraising – exceed last year's target
- Strategic planning document completed
- Academic restructuring near completion
- Melmac grant studying retention
- Compass Planning Grant Native American awareness
- Budget Advisory committee representing all constituents of campus
- Dean of Students – position filled and now reviewing student service organization operation to provide more effective and efficient services for the student body.

## *Challenges*

- Funding depreciation requirements
- Cost of utilities
- Folsom project underway, completion scheduled for fall semester
- Wind power – exploring several prospects
- Reorganizing athletic department
- NMCC cost of education – student recruitment
- Reduction of workforce to meet budget reductions
- Rising cost of providing a safe, clean, comfortable, and affordable housing

# USM BUDGET HIGHLIGHTS

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## *Financial*

- **FY09 budget will ultimately reflect \$7.5 million in cost reductions**
  - Details on the number of the positions is being finalized and will be shared with the Board of Trustees at the May meeting. The final number of position eliminations will be much higher than the 30 previously discussed.
  - \$6 million in cost reductions have been identified to date
  - \$1.5 million in additional cost reductions are actively being pursued
- A 10.1% across the board tuition increase planned for undergraduate and graduate students. Law School tuition will increase 5.5% or less. Mandatory fees will increase 12.9% and differences in how the Unified Fee is calculated (based on location and term) will be reduced.
- Budgeted credit hours are based on actual credits generated in FY08.
- The auxiliary budget for Residence Life is based on Portland Hall being closed and a 90% occupancy rate.
- All ITV & compressed video revenue is being included in the base budget for the first time.
- \$500K being added for Marketing, \$150K for library acquisitions, and \$150K to support enhanced advising.
- USM is increasing institutionally funded scholarships by 10.1% (\$179K).

## *Strategic*

- Integrated marketing plan being implemented.
- Implementation of new General Education curriculum in conjunction with enhanced advising and retention efforts.
- Enhanced recruitment with special emphasis on articulation agreements with the Maine Community College System.
- Tuition pricing, to include differential tuition possibilities, and financial aid studies underway

# *USM BUDGET HIGHLIGHTS*

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## *Challenges*

- Increasing labor relations and legal costs due to workforce management.
- Unanticipated costs related to reorganization.
- Managing workforce productivity and morale while downsizing.
- Escalating costs for the operation and maintenance of new and existing facilities, to include those needed to support R&D initiatives.
- Making the \$7.5 million in reductions necessary to balance the budget.

# ***SYSTEM-WIDE SERVICES BUDGET HIGHLIGHTS***

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## ***Financial***

- Reduced budget by approx. \$1 million in order to balance
  - Compensation & benefit increases (\$800K) offset by
    - Savings from efficiencies
    - Reduction of 3 FTE positions
    - No salary increases for senior staff
    - Reduction in legal, marketing, insurance, travel, equipment
- 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 and matching state bond funds for capital renewal

## ***Strategic***

- Maximize use of technology investments
  - PeopleSoft
  - Regional Optical Network
  - Digital conversion of broadcast ITV
- Transfer University College operations to UMA

## ***Challenges***

- Fund inflationary increases with limited or no increase in appropriation
- Current fixed income investment environment; UMS share of Mainsail II loss
  - Meeting commitment to match State bond funds for capital renewal projects - \$4 million over the next 2 years
- Meet increased demand for IT services, security, and improved functionality
  - Maintaining PeopleSoft and legacy systems simultaneously through FY2010

## ***SECTION II***

# ***ENROLLMENT AND PROPOSED STUDENT CHARGES***

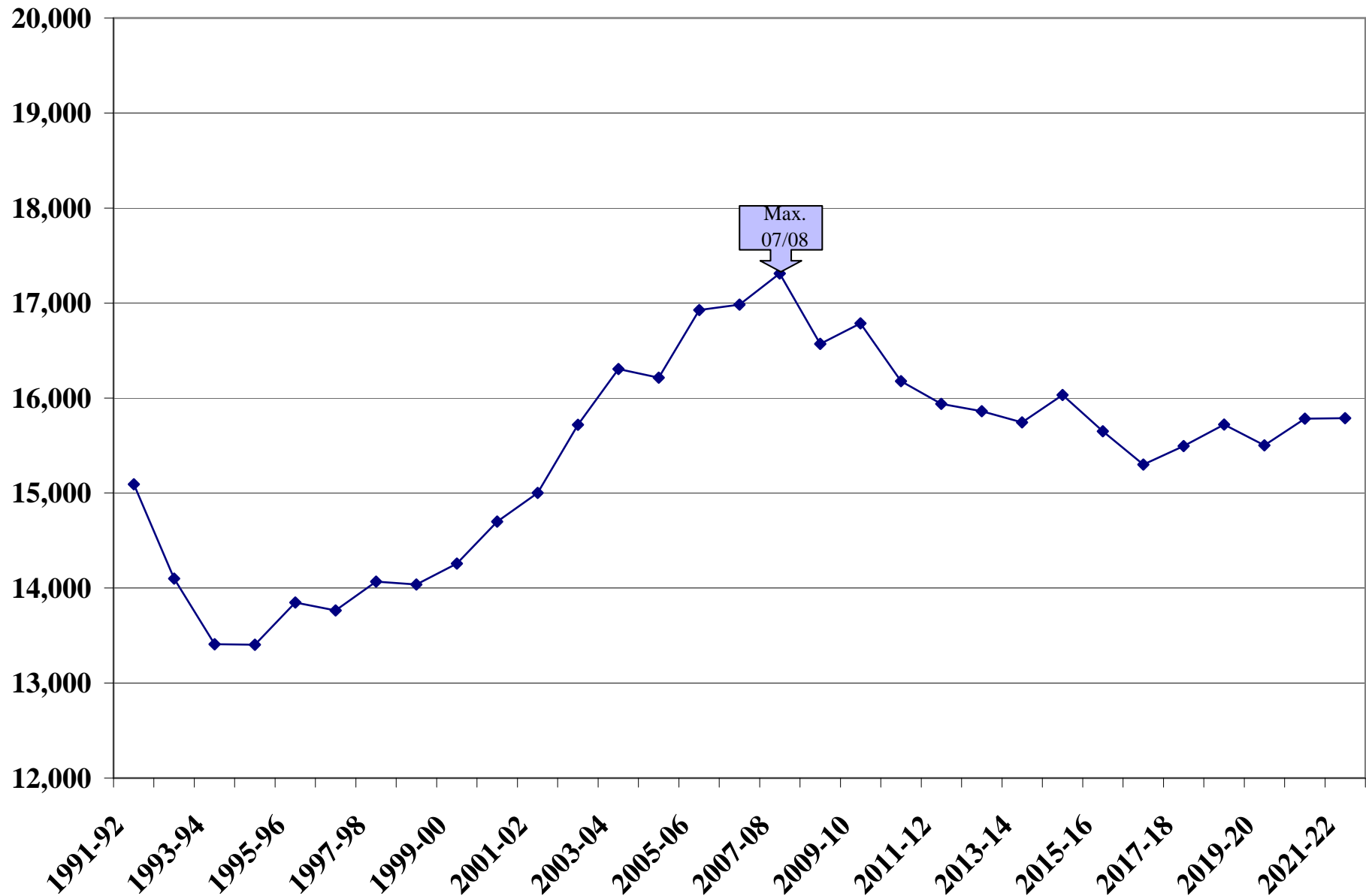
***(See Appendix for Detailed Student Charges)***

# *ENHANCED RECRUITMENT EFFORTS*

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- ❖ UMS market research and advocacy campaign
- ❖ Advertising campaigns
- ❖ Strategic financial aid
- ❖ K-12 Partnering
- ❖ Retention initiatives
- ❖ Articulation agreements, transfer incentives, seamless transition
- ❖ Redesigned System & campus websites
- ❖ Improved data information system being implemented
  - Data-driven planning and institutional research
  - Successful Shared Processing Center
  - Enhanced on-line applications

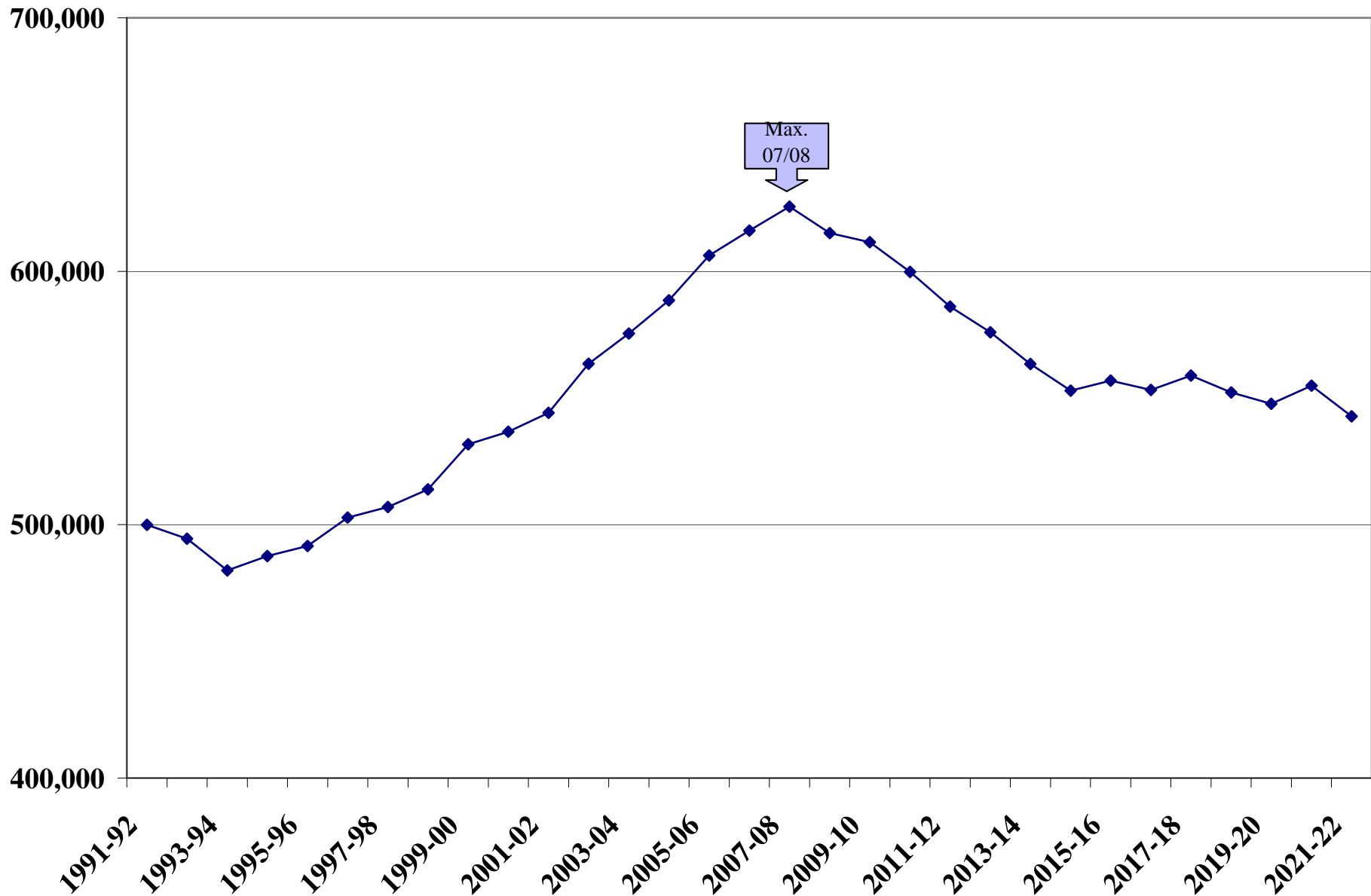
# PROJECTED MAINE HIGH SCHOOL GRADUATES



Source: Western Interstate Commission for Higher Education, 2008

# PROJECTED HIGH SCHOOL GRADUATES - NORTHEAST

(includes CT, ME, MA, NH, RI, VT, NY, NJ, PA)

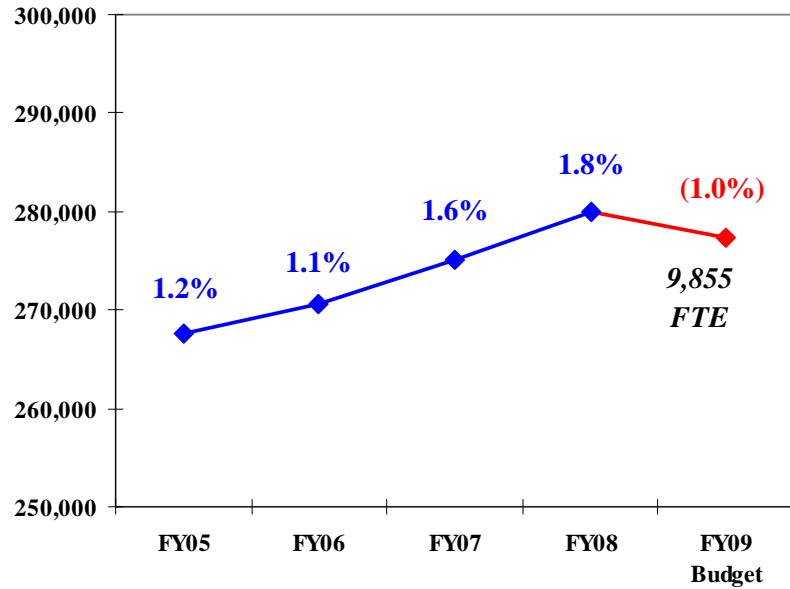


Source: Western Interstate Commission for Higher Education, 2008

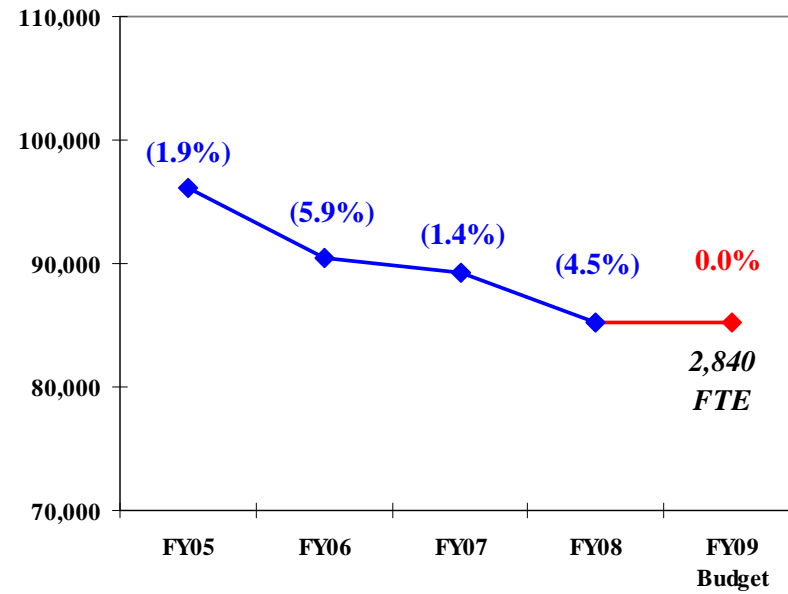


# UMS ENROLLMENT - ANNUAL CREDIT HOURS

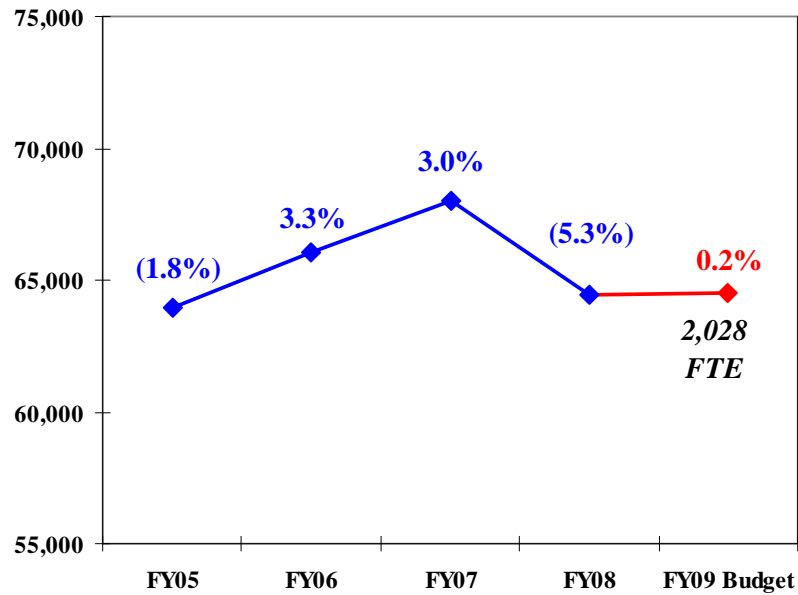
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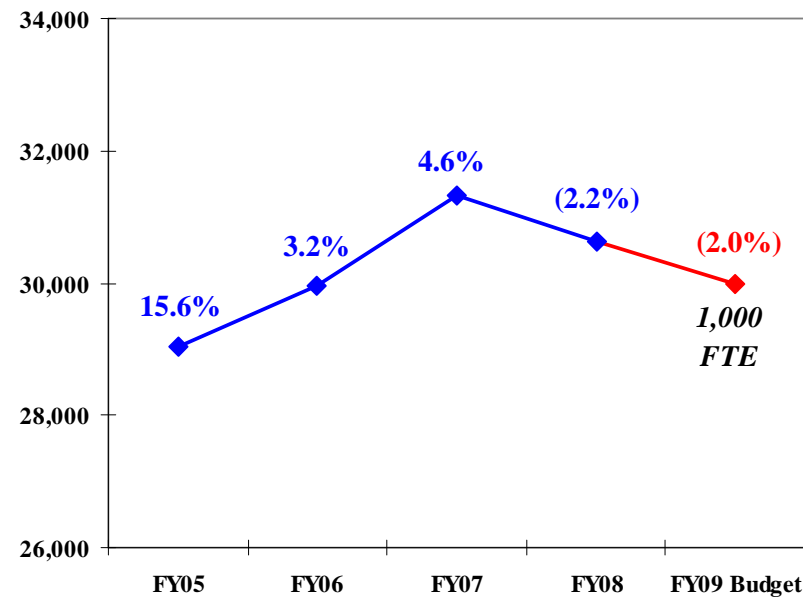
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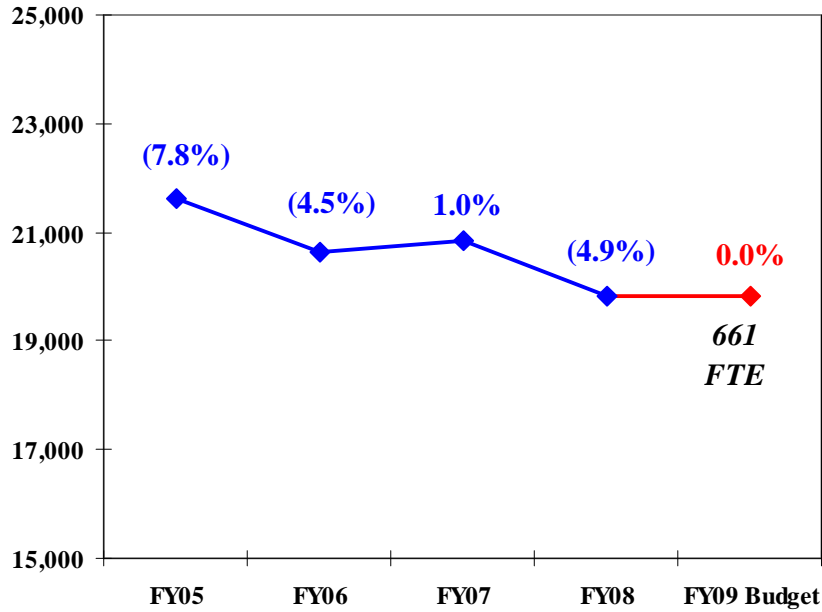


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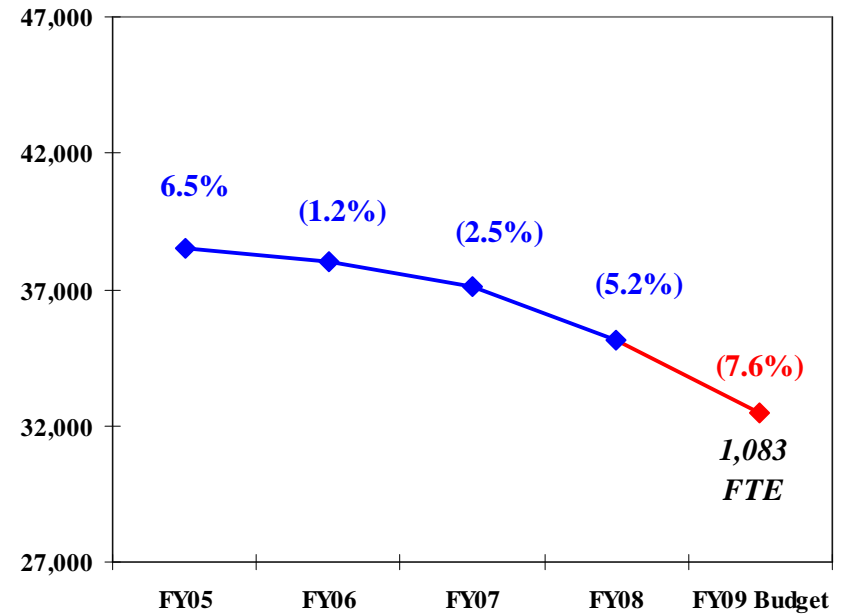


# UMS ENROLLMENT - ANNUAL CREDIT HOURS

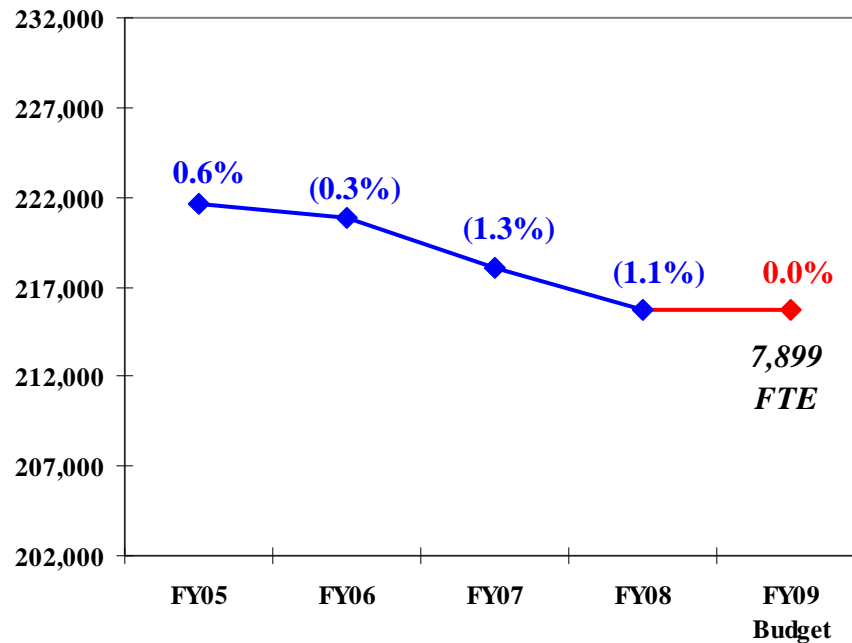
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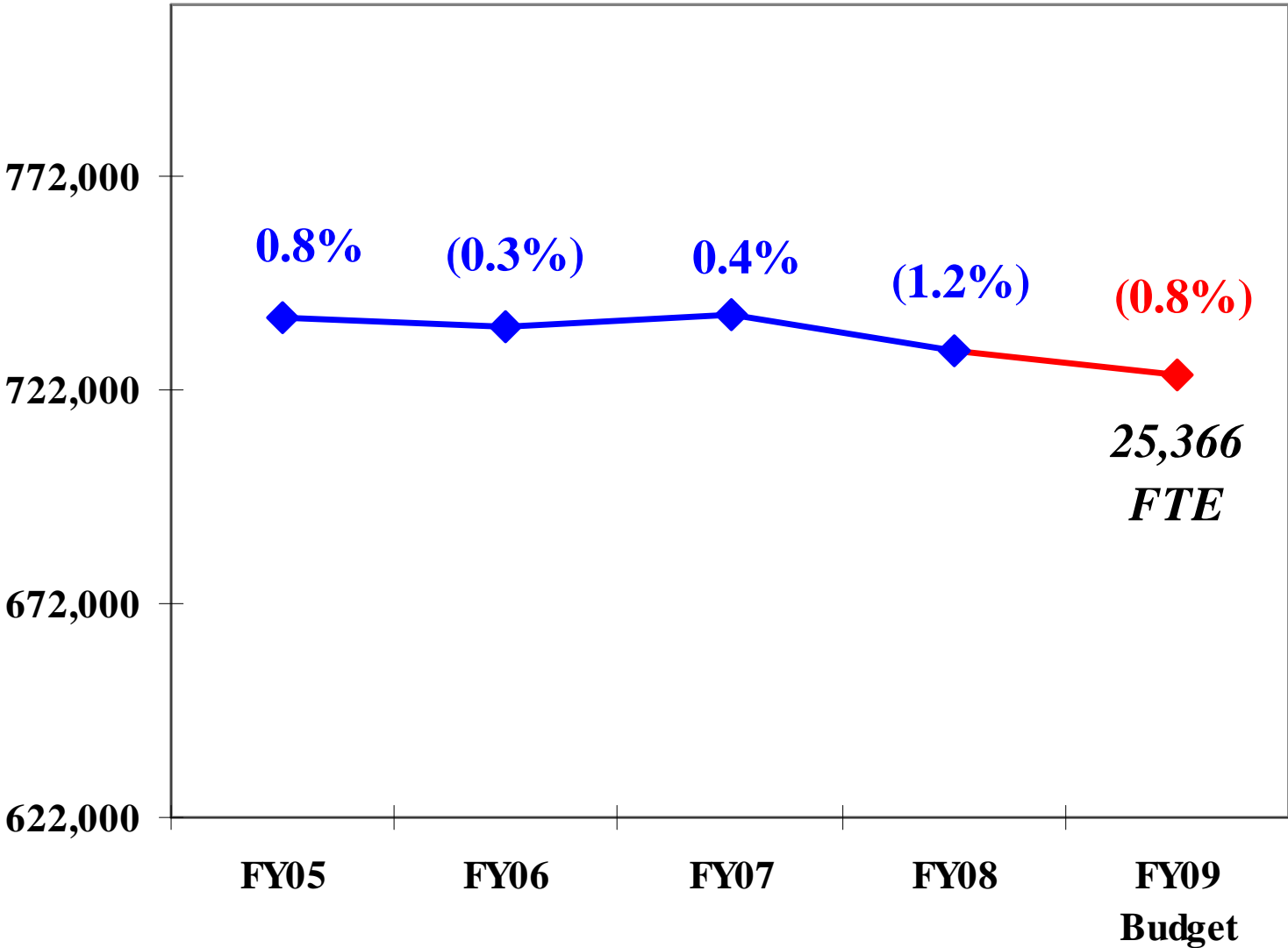


USM



# UMS ENROLLMENT - ANNUAL CREDIT HOURS

## SYSTEM TOTAL



# ***FY09 ANNUAL TUITION INCREASES***

	<u>IN-STATE</u>				<u>OUT-OF-STATE</u>			
	<u>FY08 Annual Tuition</u>	<u>FY09 Annual Tuition</u>	<u>Annual Increase</u>		<u>FY08 Annual Tuition</u>	<u>FY09 Annual Tuition</u>	<u>Annual Increase</u>	
			<u>\$</u>	<u>%</u>			<u>\$</u>	<u>%</u>
<b><u>UNDERGRADUATE</u></b>								
UM	\$6,540	\$7,170	\$630	9.6	\$18,750	\$20,580	\$1,830	9.8
UMA	5,220	5,700	480	9.2	12,630	13,800	1,170	9.3
UMF	6,528	7,296	768	11.8	14,208	15,072	864	6.1
UMFK	5,100	5,700	600	11.8	12,780	14,310	1,530	12.0
UMM	5,100	5,700	600	11.8	14,130	15,840	1,710	12.1
UMPI	5,100	5,700	600	11.8	12,780	14,310	1,530	12.0
USM	5,940	6,540	600	10.1	16,410	18,060	1,650	10.1
<b><u>GRADUATE</u></b>								
UM	\$5,850	\$6,426	\$576	9.8	\$16,848	\$18,504	\$1,656	9.8
UMF	-	5,886	-	-	-	-	-	-
USM	5,346	5,886	540	10.1	15,192	16,722	1,530	10.1
<b><u>LAW</u></b>	<b>\$17,400</b>	<b>\$18,360</b>	<b>\$960</b>	<b>5.5</b>	<b>\$27,480</b>	<b>\$28,860</b>	<b>\$1,380</b>	<b>5.0</b>
<i>Weighted Avg.</i>				<i>10.0%</i>				<i>9.8%</i>

**Note:** Undergraduate & Law annual tuition based on 30 credit hours (32 credit hours at UMF). Graduate annual tuition based on 18 credit hours.

# ***FY09 MANDATORY FEES INCREASES***

<u>UNDERGRADUATE</u>		<u>FY08</u>	<u>FY09</u>	<u>Annual Increase</u>	
				<u>\$</u>	<u>%</u>
UM	Communications	\$30	\$30	-	-
	Recreation Center	196	204	\$8	4.1
	Unified Fee	1,474	1,606	132	9.0
	Student Activity	90	90	-	-
		<b>\$1,790</b>	<b>\$1,930</b>	<b>\$140</b>	<b>7.8</b>
UMA	Unified Fee	\$720	\$750	\$30	4.2
	Student Activity	45	45	-	-
			<b>\$765</b>	<b>\$795</b>	<b>\$30</b>
UMF	Unified Fee	\$499	\$550	\$51	10.2
	Student Activity	130	130	-	-
			<b>\$629</b>	<b>\$680</b>	<b>\$51</b>
UMFK	Unified Fee	\$540	\$600	\$60	11.1
	Student Activity	113	113	-	-
			<b>\$653</b>	<b>\$713</b>	<b>\$60</b>
UMM	Unified Fee	\$430	\$470	\$40	9.3
	Student Activity	240	240	-	-
			<b>\$670</b>	<b>\$710</b>	<b>\$40</b>
UMPI	Unified Fee	\$480	\$480	-	-
	Student Activity	160	160	-	-
			<b>\$640</b>	<b>\$640</b>	-
USM	Unified Fee	\$630	\$720	\$90	14.3
	Student Activity	100	104	4	4.0
			<b>\$730</b>	<b>\$824</b>	<b>\$94</b>

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

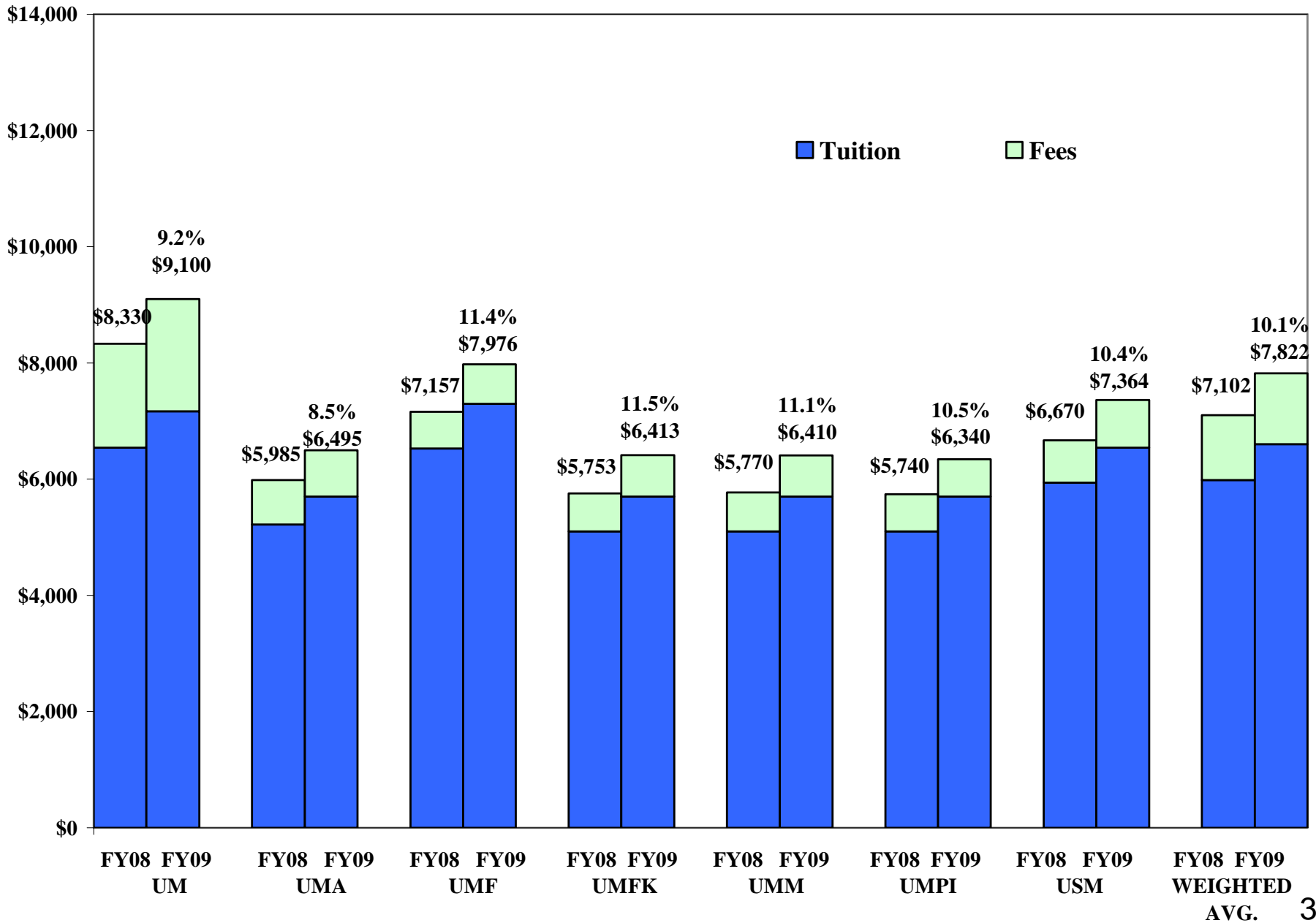
# ***FY09 MANDATORY FEES INCREASES***

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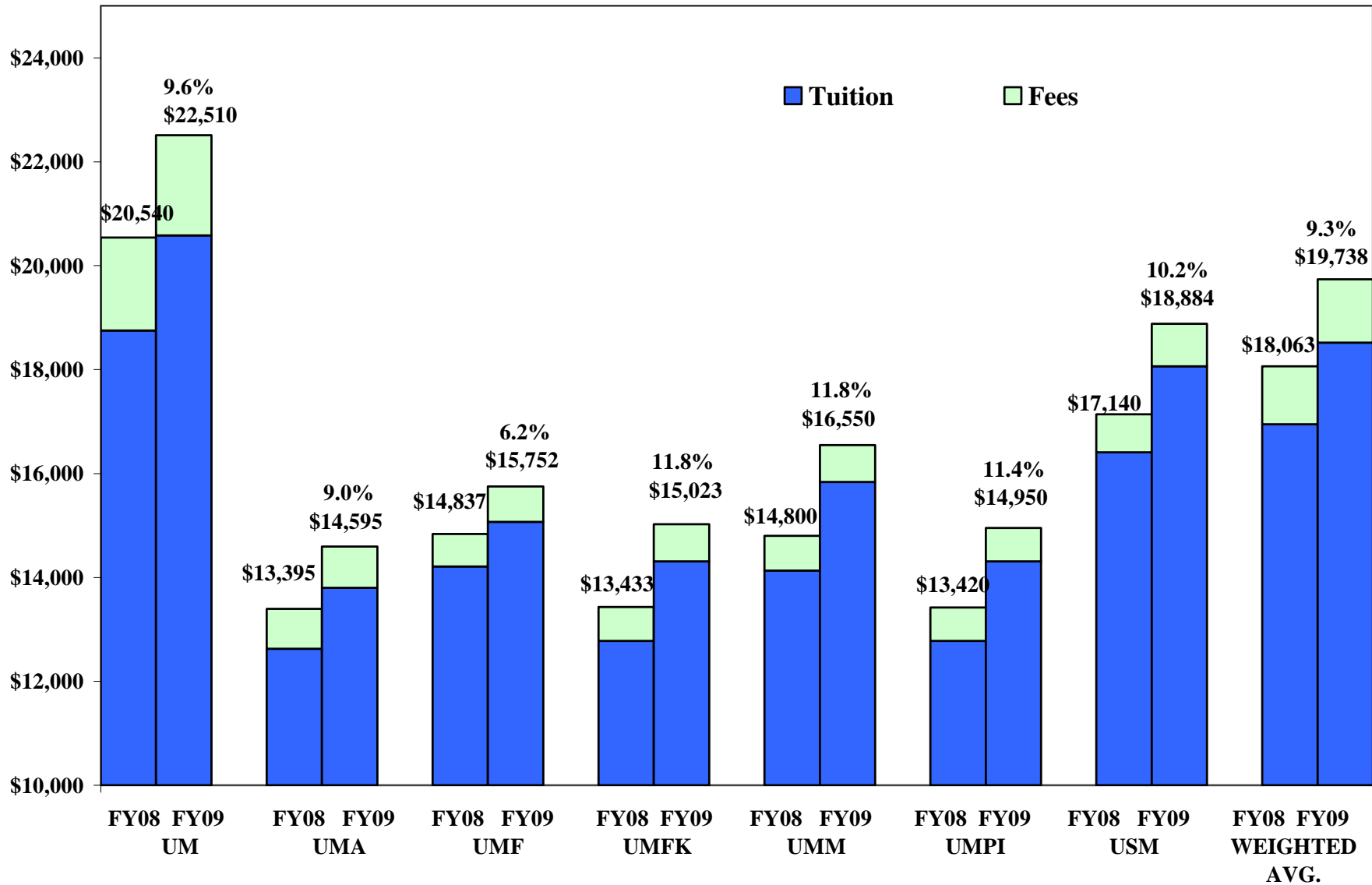
		<u>FY08</u>	<u>FY09</u>	<u>Annual Increase</u>	
				<u>\$</u>	<u>%</u>
<b><u>GRADUATE</u></b>					
<b>UM</b>	<b>Communications</b>	<b>\$30</b>	<b>\$30</b>	<b>-</b>	<b>-</b>
	<b>Recreation Center</b>	<b>196</b>	<b>204</b>	<b>\$8</b>	<b>4.1</b>
	<b>Unified Fee</b>	<b>602</b>	<b>656</b>	<b>54</b>	<b>9.0</b>
	<b>Student Activity</b>	<b>40</b>	<b>60</b>	<b>20</b>	<b>50.0</b>
		<b>\$868</b>	<b>\$950</b>	<b>\$82</b>	<b>9.4</b>
<b>UMF</b>	<b>Unified Fee</b>		<b>\$282</b>	<b>\$282</b>	<b>-</b>
<b>USM</b>	<b>Unified Fee</b>	<b>\$378</b>	<b>\$432</b>	<b>\$54</b>	<b>14.3</b>
<b><u>LAW</u></b>	<b>Unified Fee</b>	<b>\$630</b>	<b>\$720</b>	<b>\$90</b>	<b>14.3</b>
	<b>Student Activity</b>	<b>40</b>	<b>40</b>	<b>-</b>	<b>-</b>
		<b>\$670</b>	<b>\$760</b>	<b>\$90</b>	<b>13.4</b>

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

# *IN-STATE, UNDERGRADUATE, FULL-TIME TUITION & MANDATORY FEES COMPARISON*



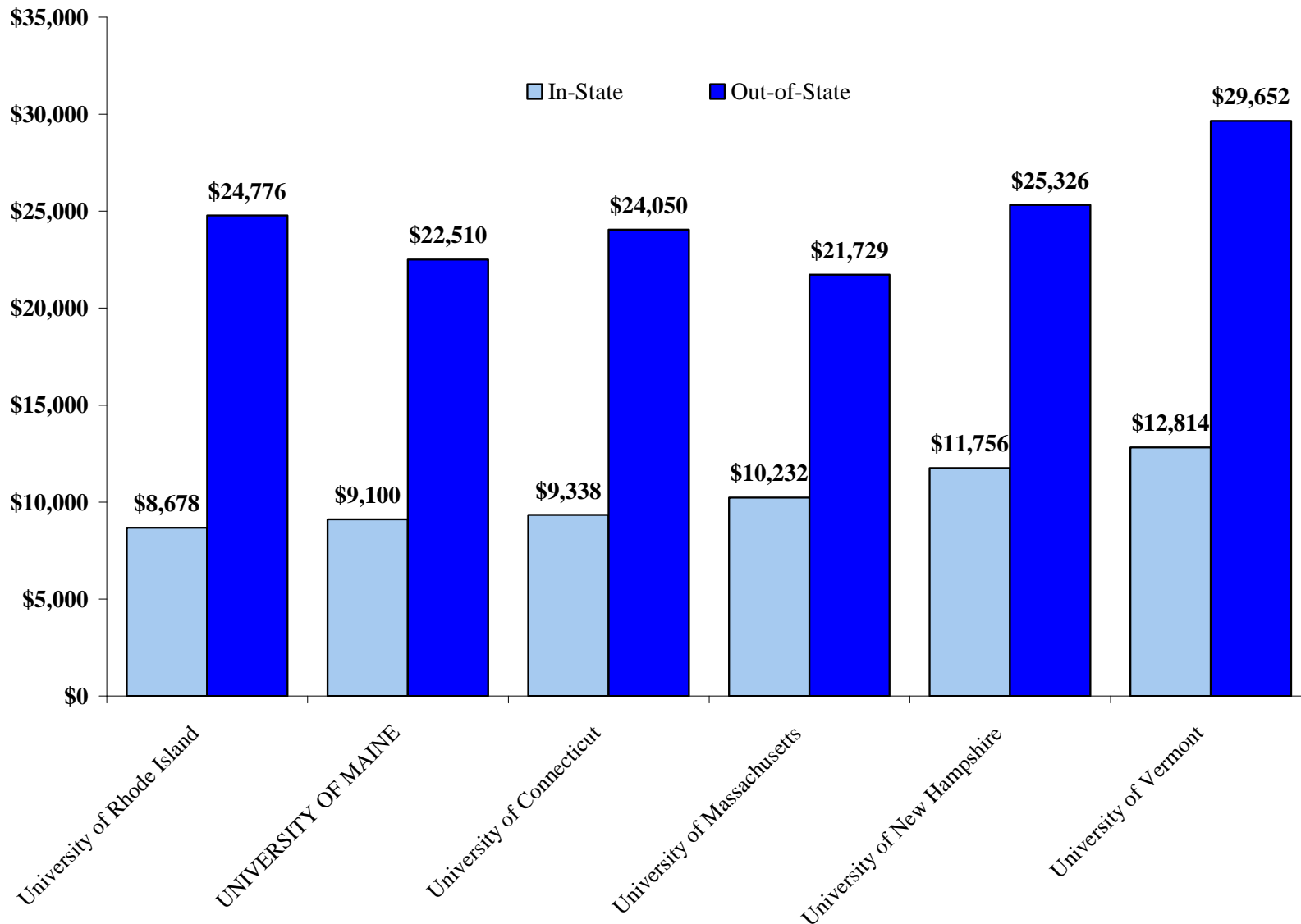
# *OUT-OF-STATE, UNDERGRADUATE, FULL-TIME TUITION & MANDATORY FEES COMPARISON*



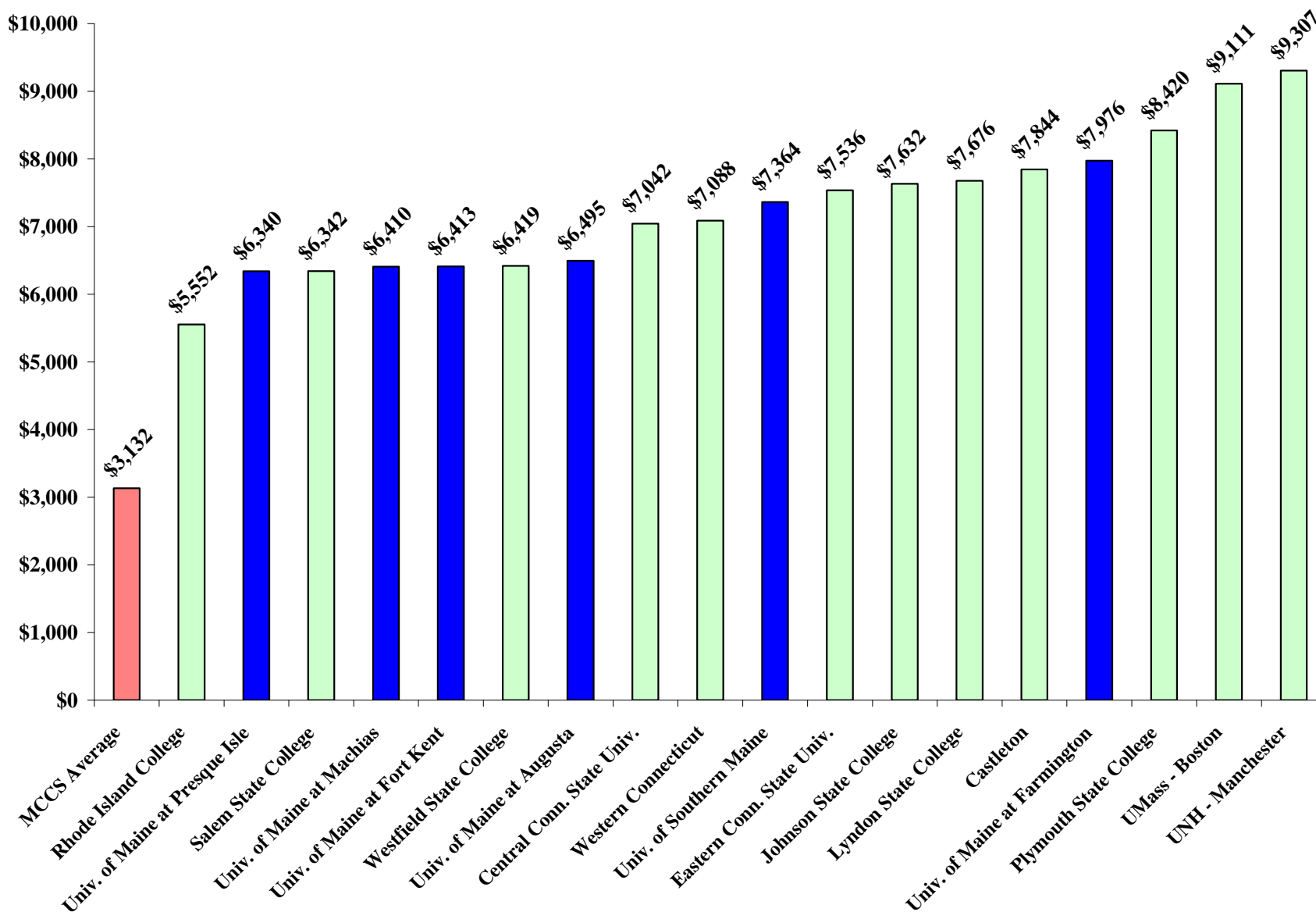


***NEW ENGLAND LAND-GRANT UNIVERSITIES  
ESTIMATED FULL-TIME UNDERGRADUATE TUITION & MANDATORY FEES  
FY09***

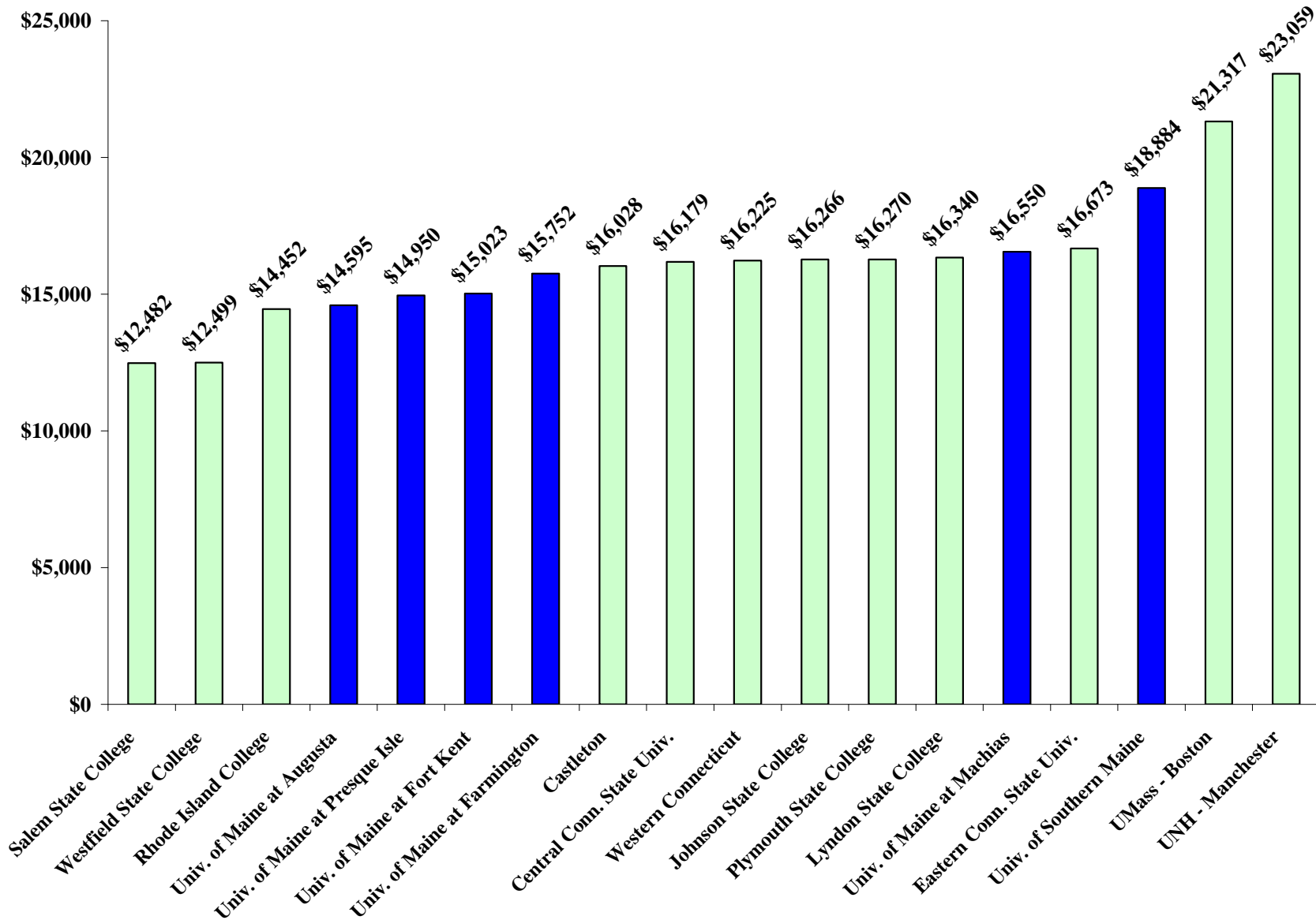
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# *SELECTED NEW ENGLAND STATE COLLEGES & UNIVERSITIES ESTIMATED FULL-TIME UNDERGRADUATE IN-STATE TUITION & MANDATORY FEES FY09*

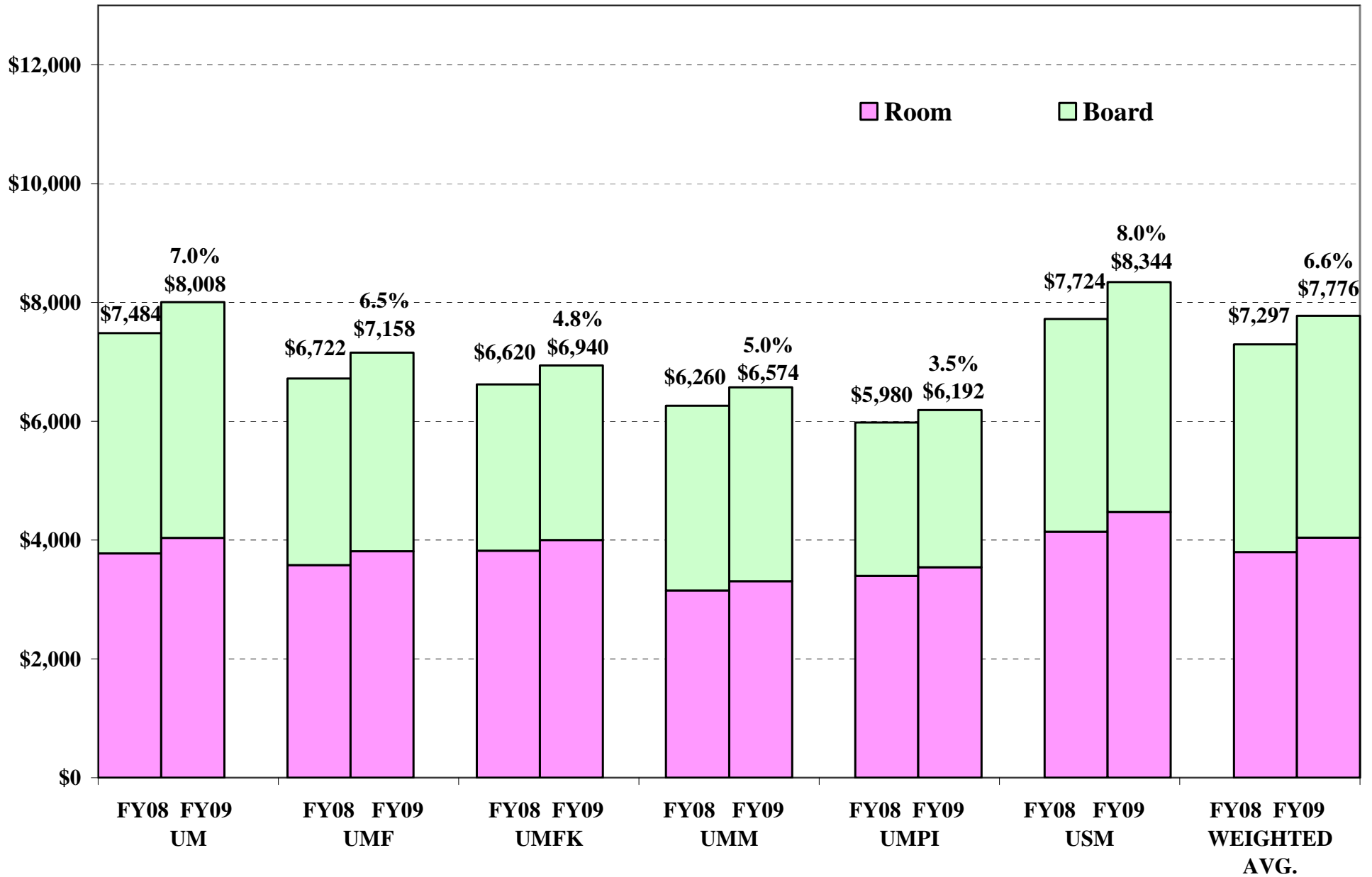


# ***SELECTED NEW ENGLAND STATE COLLEGES & UNIVERSITIES ESTIMATED UNDERGRADUATE FULL-TIME OUT-OF-STATE TUITION & MANDATORY FEES FY09***



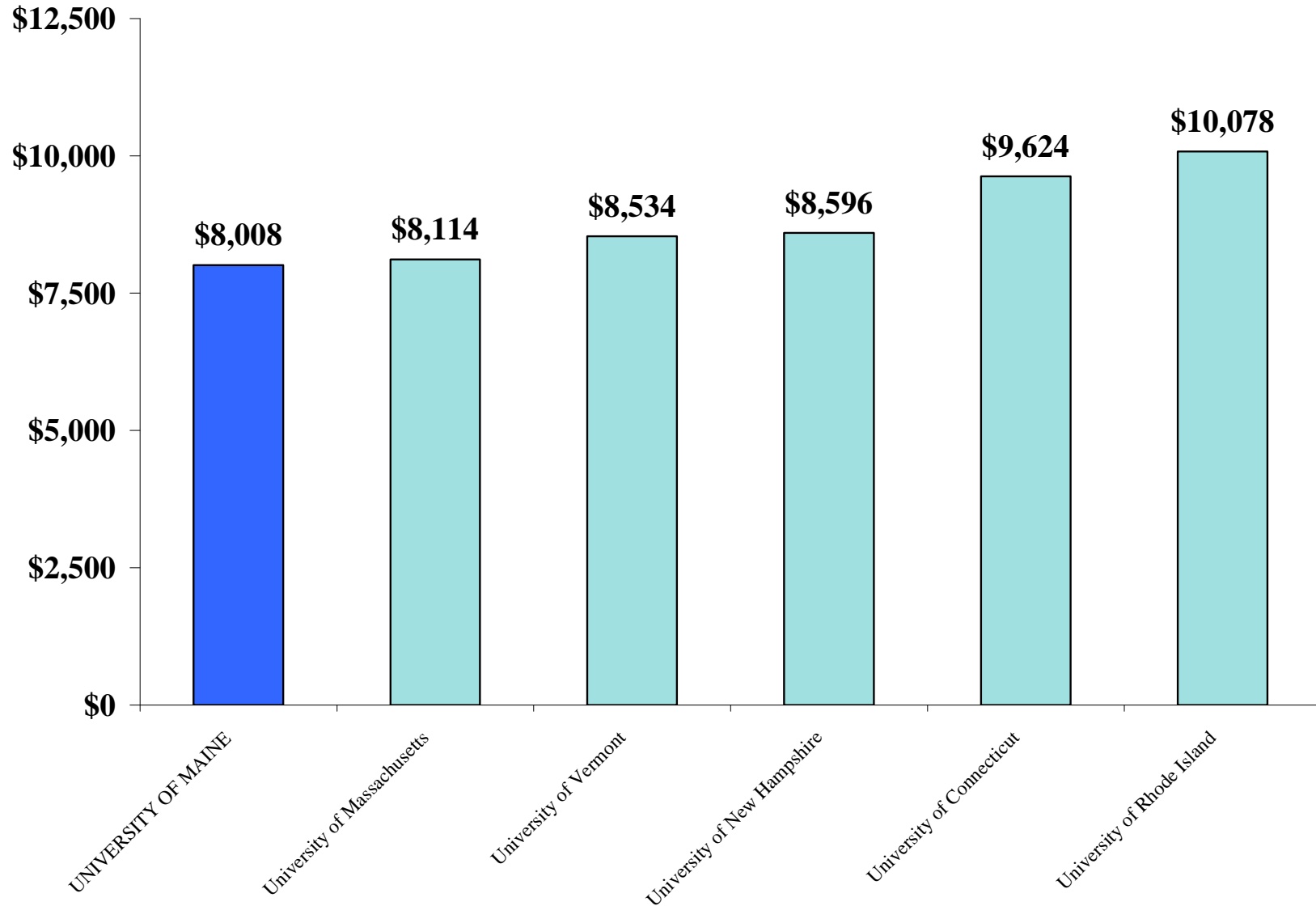
Source: Telephone calls & websites

# ***FY09 PROPOSED ROOM & BOARD RATE INCREASES***



# ***NEW ENGLAND LAND-GRANT UNIVERSITIES ESTIMATED ROOM & BOARD FY09***

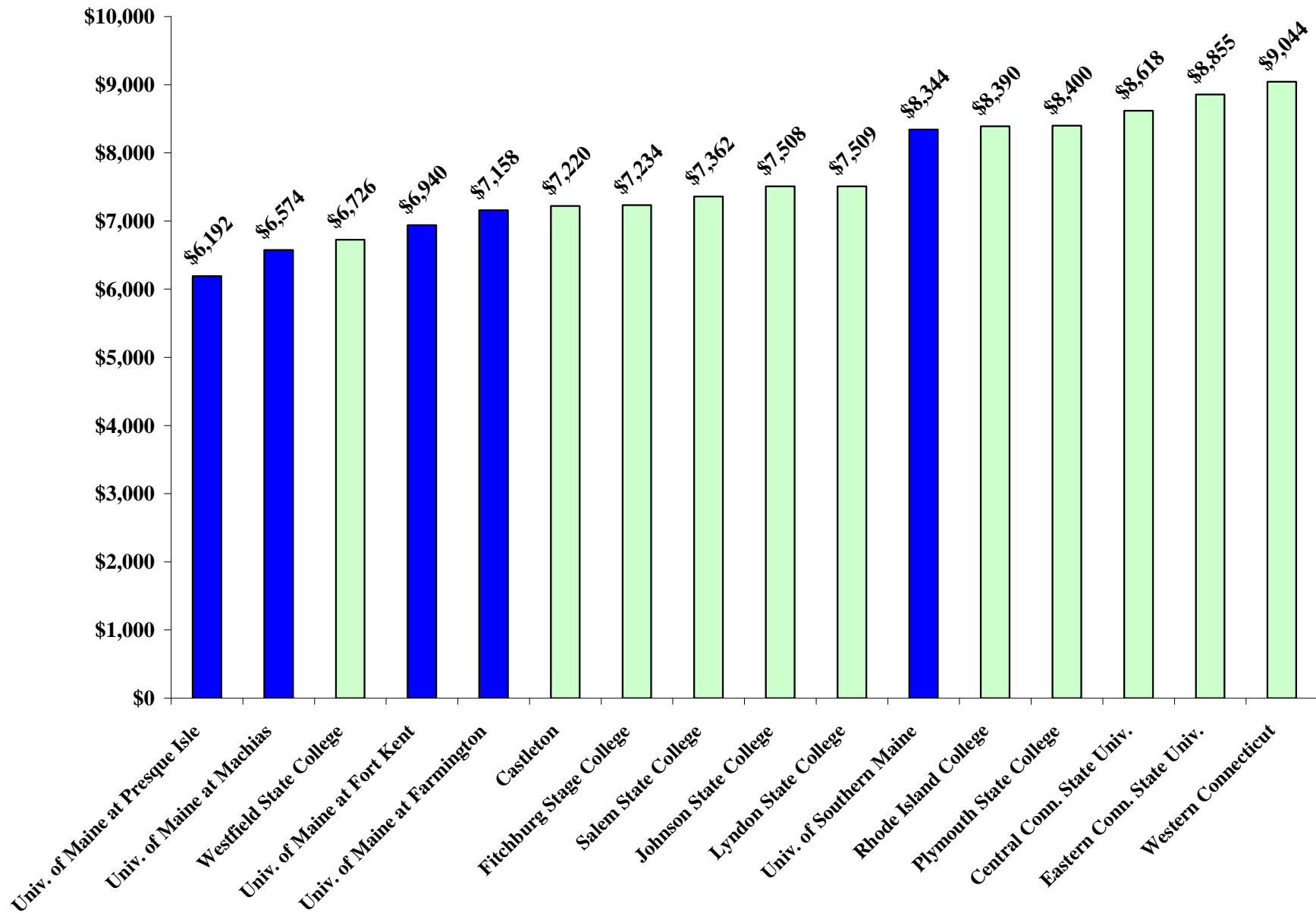
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# *SELECTED NEW ENGLAND STATE COLLEGES & UNIVERSITIES*

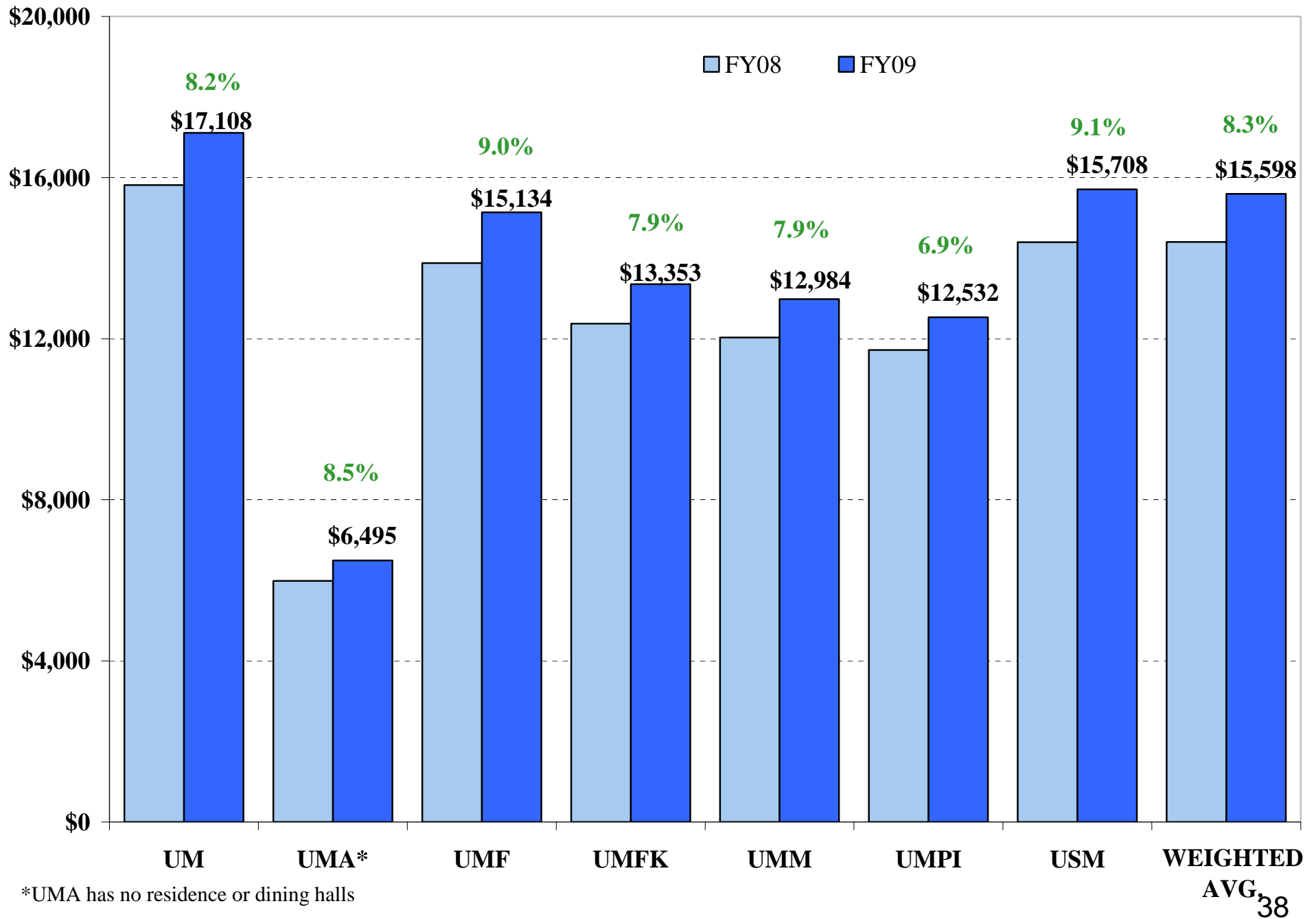
## *ESTIMATED ROOM & BOARD*

### *FY09*

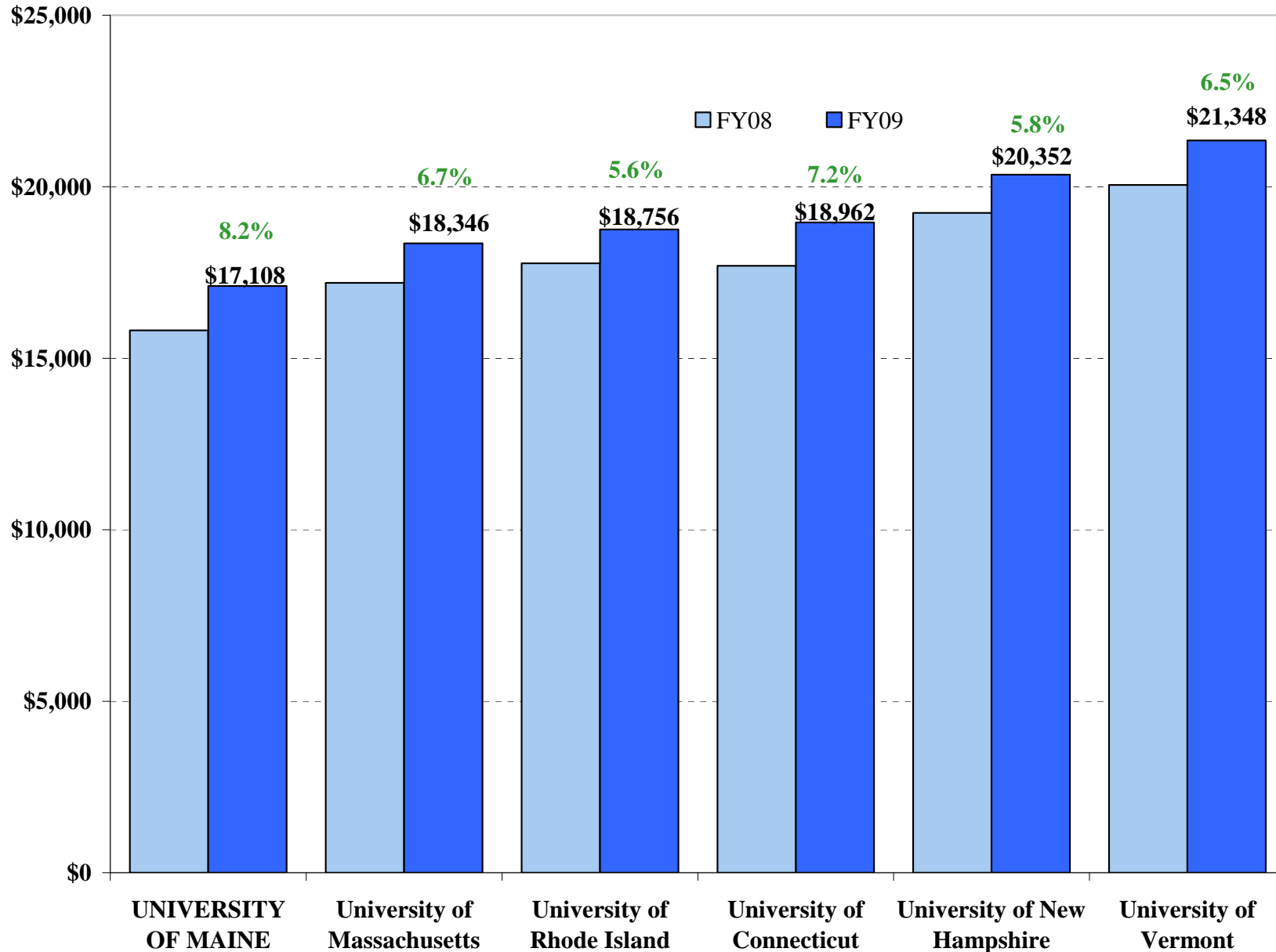


Source: Telephone calls & websites

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



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

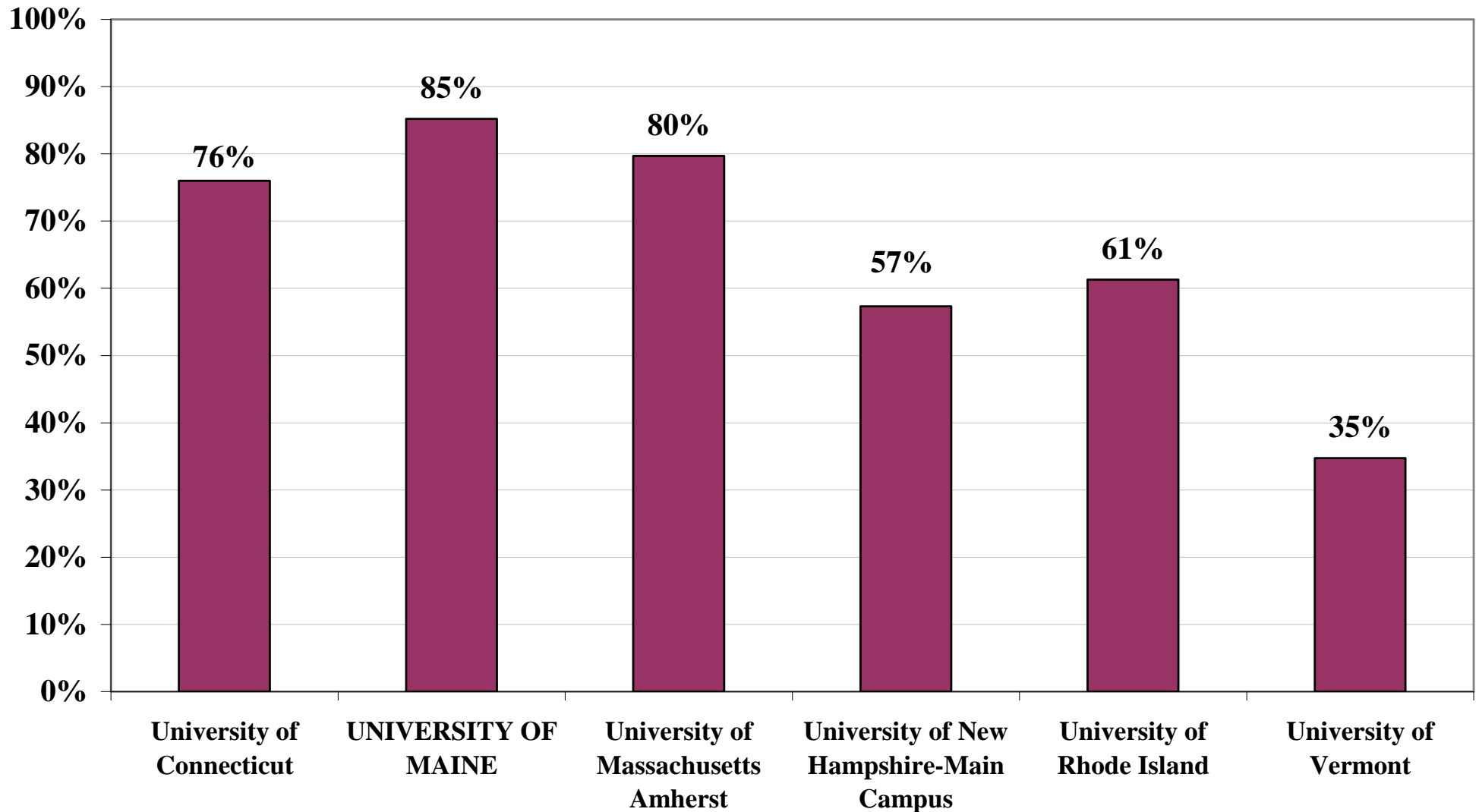


Source: Telephone calls & websites



***NEW ENGLAND LAND-GRANT UNIVERSITIES***  
***% OF IN-STATE UNDERGRADUATE STUDENT HEADCOUNT***

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***SECTION III***

***FINANCIAL AID***

# UMS WAIVERS

- ❖ *Total UMS waivers increase by approximately \$500K annually*
- ❖ *Approximately 45% of waiver costs are state mandated*

		(\$ in Millions)				
<u>Mandated by:</u>		<u>FY05</u>	<u>FY06</u>	<u>FY07</u>	<u>FY08 Forecast</u>	<u>FY09 Budget</u>
State	Foster Care	\$0.2	\$0.1	\$0.2	\$0.2	\$0.2
State/UMS	High School Aspirations	0.4	0.5	0.7	0.8	0.8
UMS	North American Indian*	2.2	2.5	2.6	2.8	3.1
UMS	Senior Citizens	0.1	0.1	0.1	0.2	0.2
State	Veteran's Dependent	<u>1.1</u>	<u>1.2</u>	<u>1.4</u>	<u>1.5</u>	<u>1.7</u>
<b>TOTALS</b>		<u><u>\$4.0</u></u>	<u><u>\$4.4</u></u>	<u><u>\$5.0</u></u>	<u><u>\$5.5</u></u>	<u><u>\$6.0</u></u>

\*In addition to the waiver, room & board scholarships for eligible North American Indian students who live on campus total approximately \$750,000 annually

# *PLANNED FINANCIAL AID INCREASES*

- ❖ UMS unrestricted waivers & scholarships increasing from \$34.5 to \$38.9 million
- ❖ UMS endowed scholarships increasing from \$2.9 to \$3.2 million
- ❖ Pell Grants maximum award increasing from \$4,310 to \$4,731 (+\$421)
- ❖ Racino scholarship funding increasing from \$600K to \$700K in FY09

	<u>FY09 Budget</u>	<u>FY09 Estimated Increase</u>	
		<u>\$ in millions</u>	<u>%</u>
Planned Financial Aid Increases:			
Unrestricted Waivers & Scholarships	\$38.9	\$4.4	12.6%
Endowed Scholarships	3.2	0.3	9.4%
PELL Grants	27.4	2.4	9.8%
Racino Scholarships	<u>0.7</u>	<u>0.1</u>	16.7%
Total Planned Financial Aid Increase	\$70.2	\$7.2	11.4%

***SECTION IV***

***OPERATING EXPENSES***

***&***

***EMPLOYEE FTE'S***

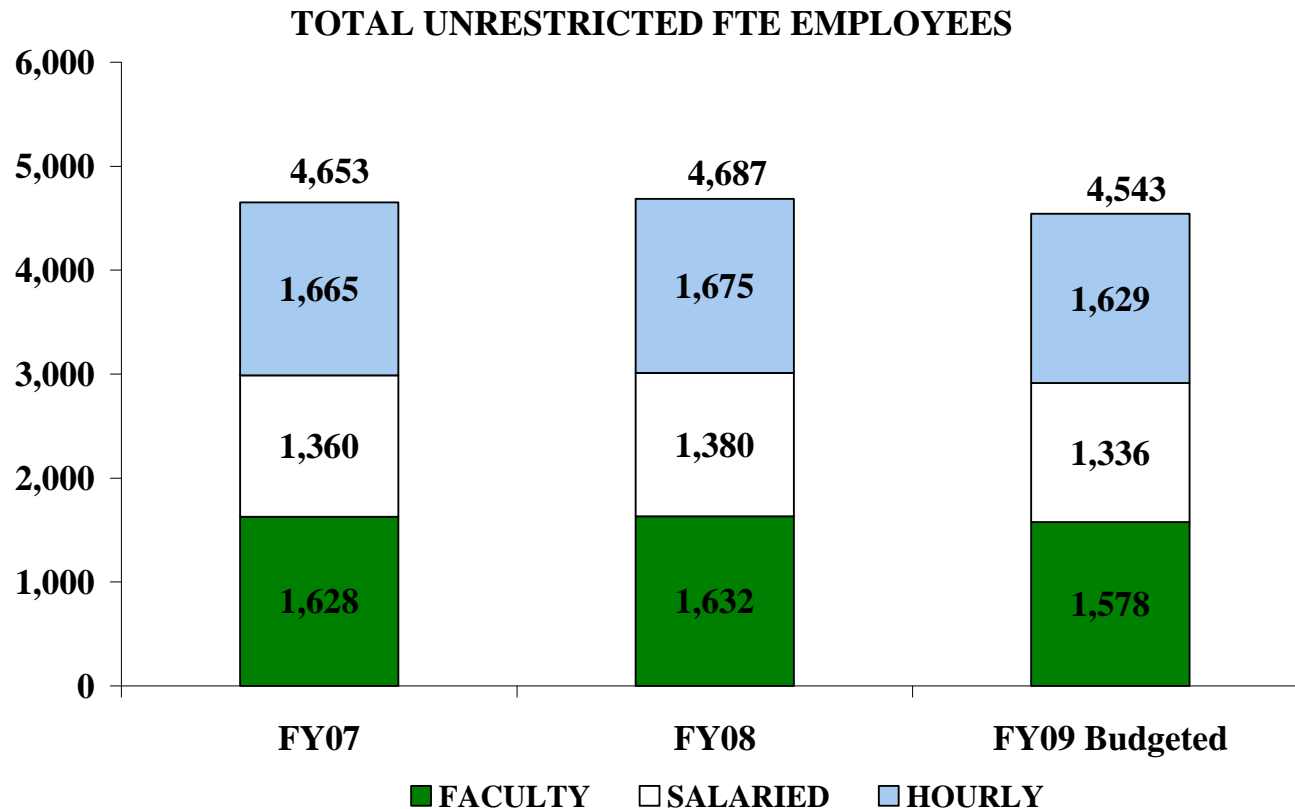
# OPERATING EXPENSES

(\$ in millions)

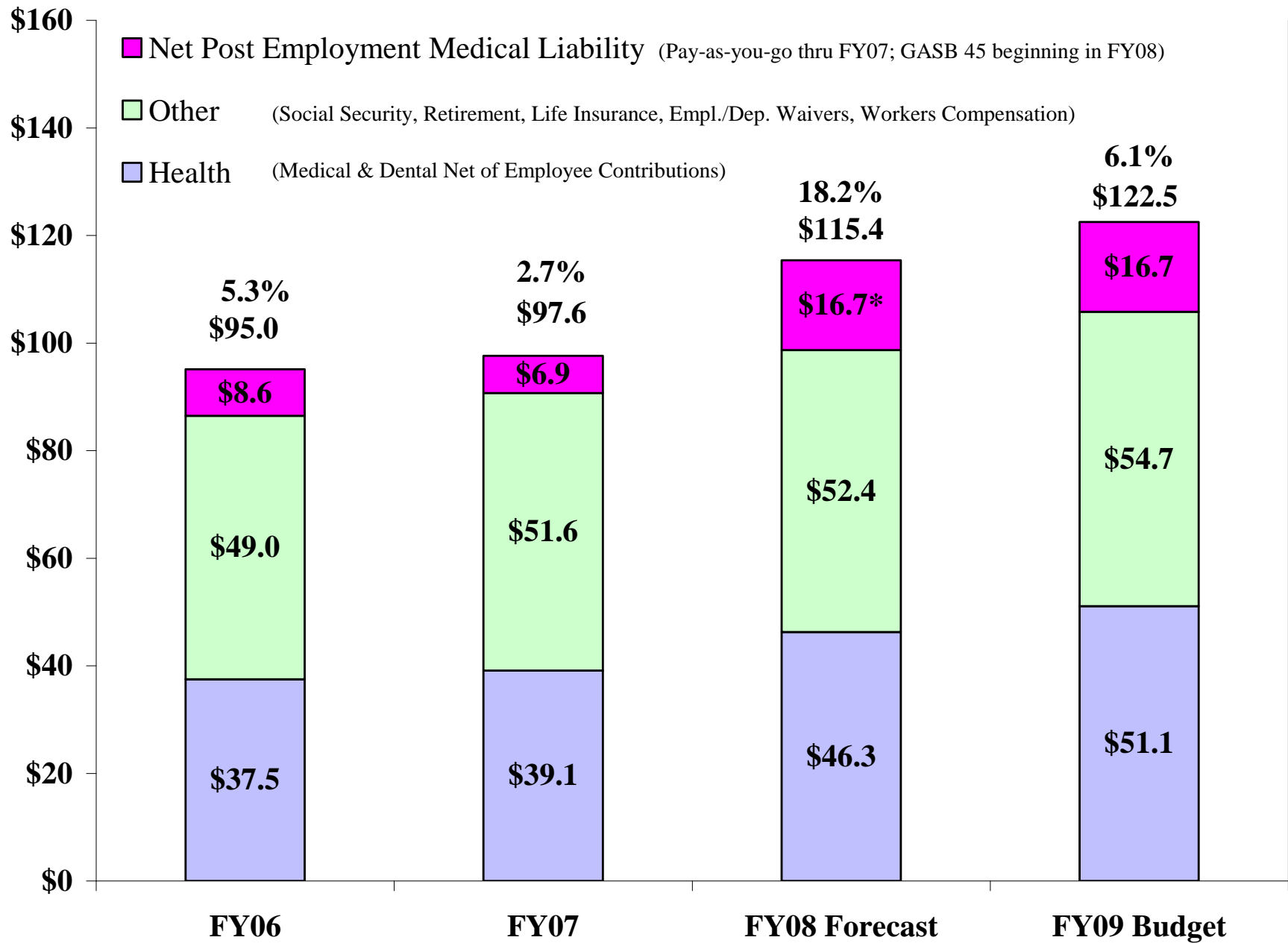
	FY07	FY08	FY08	FY09	FY09 BUDGET TO:		
	ACTUALS	BUDGET	FORECAST	BUDGET	FY08 BUDGET	FORECAST	
Compensation & Benefits	\$298.1	\$314.2	\$309.9	\$327.3	4.1%	5.6%	Negotiated compensation increases and increased benefit costs.
Health Insurance - Retirees	7.0	13.0	16.7	16.7	28.5%	-	Funding retiree medical
Utilities	26.7	29.2	30.9	32.0	9.7%	3.7%	Energy increases
Interest Expense	6.9	10.0	9.0	10.4	4.2%	14.9%	Revenue bond financing
Other Expenses	116.0	113.5	121.1	116.8	2.9%	(3.5%)	Primarily USM aligning budgets more closely to prior year actuals
Restricted Fund Matches/Transfers	12.8	18.9	20.0	19.0	0.8%	(5.0%)	Primarily UM's funding of Maine Agricultural and Forest Experimental Station & Cooperative Extension Services
USM Additional Reductions	-	-	-	(1.5)	-	-	USM has identified \$6 million in cost reductions. Need to identify another \$1.5 million
<b>Total</b>	<u>\$467.5</u>	<u>\$498.7</u>	<u>\$507.6</u>	<u>\$520.7</u>	4.4%	2.6%	

# WORKFORCE MANAGEMENT

- ❖ Workforce reductions necessary to balance budget
  - Every effort made to maintain quality of academic programs & institutional missions
- ❖ An estimated 139 positions to be eliminated system-wide – both vacancies and lay offs
- ❖ Eliminated salary increase for senior administrators across the System totaling \$300,000



# ANNUAL % CHANGE IN EMPLOYEE BENEFITS



\*Budgeted GASB 45 at \$13 million in FY08



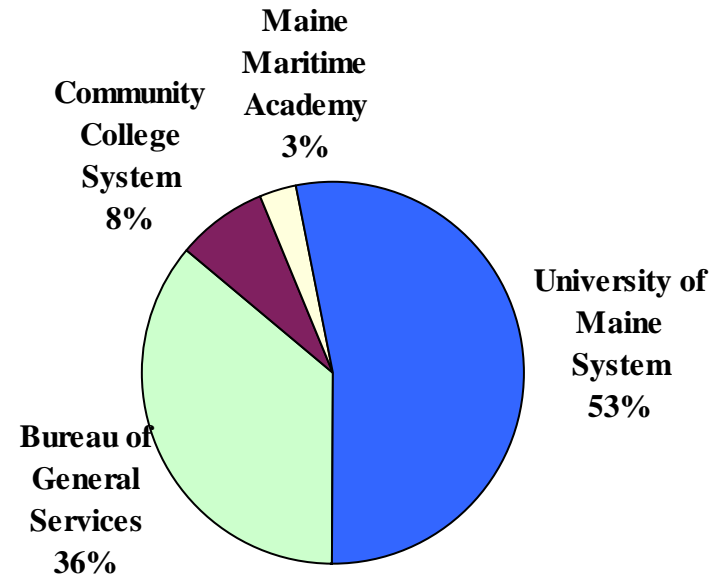
# ***SECTION V***

## ***CAPITAL BUDGETING***

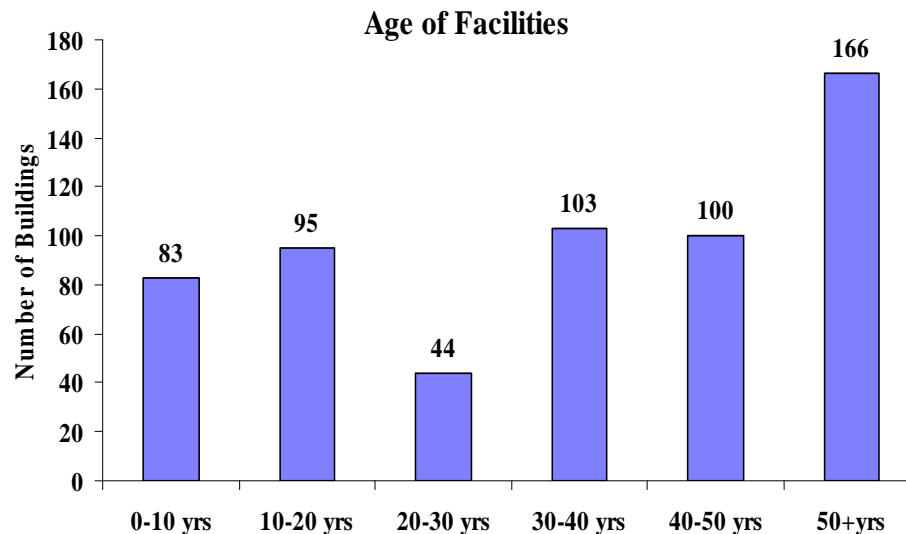
# FACILITIES OVERVIEW

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

Replacement Value Comparison



Source: Maine Risk Management Property Insurance Compilation Survey FY2008



# ***DEPRECIATION & DEFERRED MAINTENANCE***

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## Depreciation

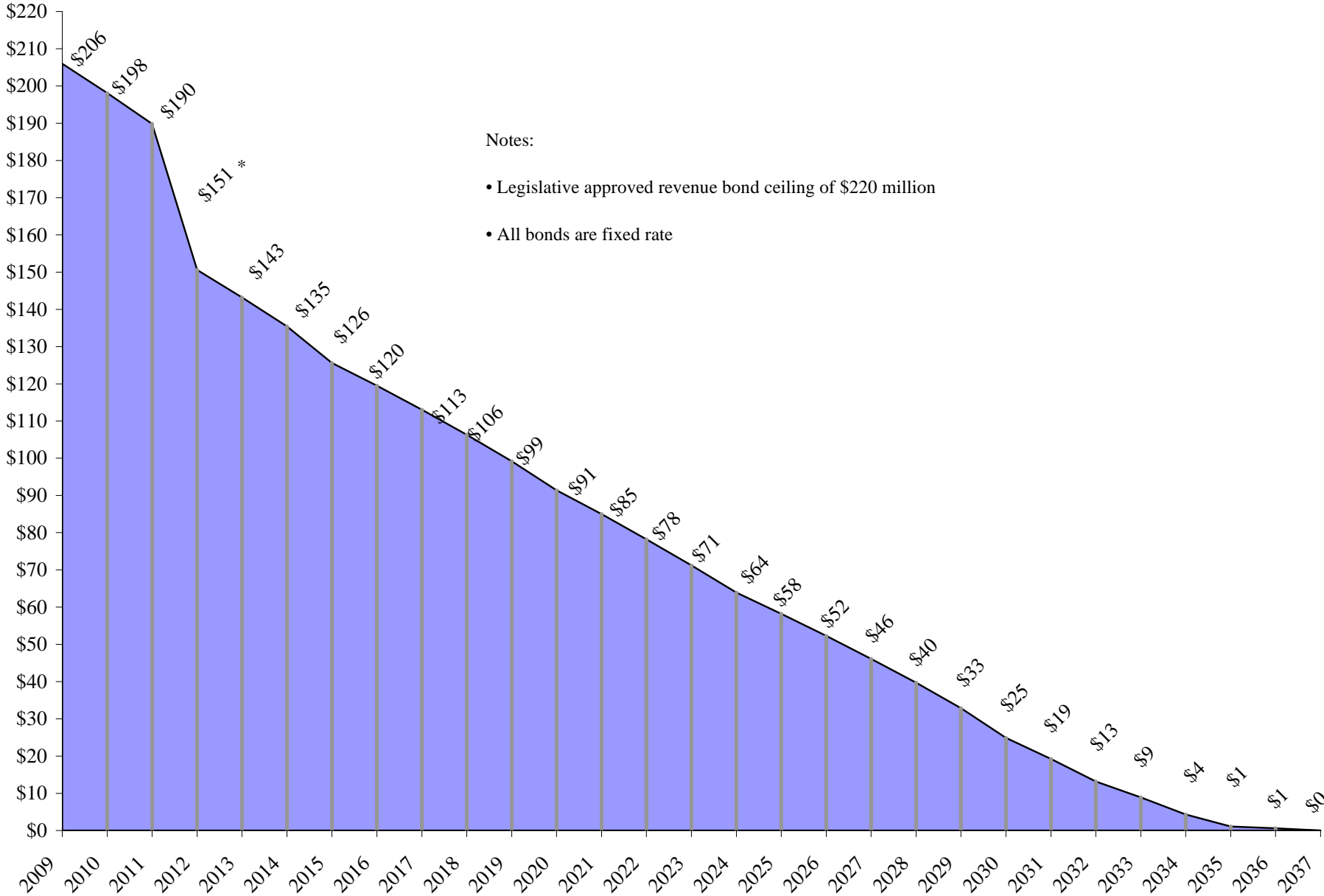
- ❖ Depreciation is the cost of allocating capital asset to expense over the determined useful life of the asset
- ❖ Goal in place to fully fund depreciation by 2017
  - Budgeted capital expenditures plus debt service principal will equal depreciation expense
  - Helps ensure future major replacement needs are funded
- ❖ Funding depreciation, however, does not fund the deferred maintenance/capital renewal needs in excess of \$500 million

## Impact of Deferring Maintenance

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

# OUTSTANDING UMS REVENUE BONDS AS OF JUNE 30

(\$ in Millions)



Notes:

- Legislative approved revenue bond ceiling of \$220 million
- All bonds are fixed rate

\* Balloon payment which will be refinanced in 2012.

# ***MAJOR PROJECTS IN PROGRESS***

<b>Campus</b>	<b>Project</b>	<b>Budget Cost</b>	<b>Estimated Completion (Fiscal Year)</b>
<b>UM</b>	Dining Hall Renovations - Wells	\$12.3	2008
	Laboratory for Surface Science Technology	2.0	2009
	Stodder Hall Renovations	4.3	2009
	Residential Hall Renovations	2.8	2010
	Student Recreation Center Tennis Courts	1.0	2008
	Hutchinson Center	4.0	2009
	Maine Center for the Arts - Phase I	11.0	2009
	Colvin Hall Renovation	2.3	2009
	Heat Plant Backpressure Turbine	1.0	2009
	Energy Infrastructure Projects	1.1	2010
	Jeness Facade Recon	1.2	2009
	Aubert Hall Building Renovations*	6.0	2010
	Fogler Library Climate Control*	1.5	2010
	Coburn Hall Renovation	0.9	2009
	Building Renovations/Classroom Upgrades*	3.0	2011
Athletic Field Turf Projects	2.2	2009	
	<b>Sub-Total</b>	<b>\$56.4</b>	

\*Pending Board Approval

# ***MAJOR PROJECTS IN PROGRESS***

<u>Campus</u>	<u>Project</u>	<u>Budget Cost</u>	<u>Estimated Completion (Fiscal Year)</u>
<b>UMA</b>	Library Renovation Bangor	\$1.5	2009
	Jewitt Hall Addition - Augusta*	1.0	2010
<b>UMF</b>	Preble/Ricker Science Facility	2.6	2010
	Emery Arts Center	5.7	2010
	Stone Hall Renovation	0.9	2009
	Merrill Hall Renovation	0.4	2009
<b>UMFK</b>	Powell Hall Renovations*	2.0	2010
<b>UMM</b>	Renovation Torry Hall/Science Building	2.3	2009
<b>USM</b>	Lewiston-Auburn Classrooms and Library Renovations*	2.0	2010
	University Commons	33.2	2009
<b>UMPI</b>	Folsom-Pullen Renovation - Phase 1	2.6	2009
	Wind Power Project	2.0	2009
<b>SYS</b>	Regional Optical Network	4.9	2009
	Maine Street Peoplesoft Implementation	5.9	2010
	<b>Sub-Total</b>	<b>\$67.0</b>	
<b>TOTAL</b>		<b>\$123.4</b>	

\*Pending Board Approval

# ***FUNDING FOR MAJOR PROJECTS IN PROGRESS***

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	<u>\$ IN MILLIONS</u>
STATE BONDS AND APPROPRIATIONS	\$32.7
UMS REVENUE BONDS - ISSUED	31.6
FUNDRAISING/INSTITUTIONAL CAPITAL FUNDS	59.1
TOTAL MAJOR CAPITAL PROJECTS	<u><u>\$123.4</u></u>

***SECTION VI***

***AGENDA FOR ACTION***



# ***MULTI-YEAR FINANCIAL PLANNING PROCESS***

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- ❖ Agenda for Action Goal for Financial Sustainability: “UMS will continue to be a financially stable enterprise over the long run, addressing the key issues and challenges of the future through a multi-year planning process that embraces prudent financial controls, transparency, cost containment, revenue enhancement, and optimal sizing of the institutions, functions, and activities.”
  
- ❖ Summer 2008, in readiness for the FY10/11 biennium request, the UMS will complete its multi-year financial planning exercise (currently in progress for the next two bienniums) giving consideration to:
  - Tuition strategy and affordability
  - Historical state support (operational, capital, and MEIF)
  - Capital renewal needs
  - Market-based total compensation (salary & benefits)
  - Energy costs and conservation
  - Declining demographics
  - Multi-year efficiency strategies
  - Overall achievement of financial sustainability outcomes

# *FINANCIAL SUSTAINABILITY OUTCOMES*

	<b>STATUS</b>
❖ Hold annual cost increases to the Higher Education Price Index (HEPI)	FY02 to FY07 – annual average increase of 4%
❖ Fund retiree healthcare annual costs by 2012	On Track
❖ Fully fund annual capital depreciation by 2017	On Track but significant deferred maintenance backlog
❖ Maintain healthcare premium rates for active employees at no more than the New England healthcare cost trend average	Current year claims are challenging our ability to achieve this goal
❖ Monitor and achieve goals for selected financial indicators - Operating results – break even or slightly positive net change annually	Break even budget for FY09
- Debt service coverage ratio – strive for operational cash flow to be 2 times debt service	3 times in FY07
- Unrestricted net assets to debt – strive for unrestricted net assets to be one-third of debt	.3 in FY07
- Annual debt service shall not exceed 5% of annual expenses	2.4% in FY07
- Maintain or increase instructional and academic support expenditures – as a percentage of total operations	38% in FY02 40% in FY07