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UNIVERSITY SYSTEM ADOPTS BUDGET FOR NEXT FISCAL YEAR

Budget Balanced Through \$15.7 Million in Cuts and 10.1 percent Tuition Increase

PRESQUE ISLE—Citing “tough and painful decisions,” University of Maine System trustees on Monday approved a budget for the next fiscal year that is balanced through budget cuts and a tuition increase.

Meeting for the first time since the State passed its budget for fiscal year 2009, trustees adopted a \$520.7 million budget built on a \$15.7 million cut in personnel and operating costs and a 10.1 percent increase in student tuition and fees. To help offset the tuition and fee increases, the new budget also includes an 11.4 percent increase in student financial aid.

The new budget represents a modest 2.6 percent increase over the current year’s forecasted expenses. The \$15.7 million reduction represents a three percent cut in the current cost of operations.

“Current economic conditions have made this year’s budget-making, tuition-setting process extremely difficult,” said Margaret A. Weston of Yarmouth, chair of the board. She cited five primary factors that contributed to the budget cuts and tuition increase:

- “enormous” increases in the cost of heating oil and other utilities
- increased healthcare costs
- the turbulent global financial markets, which have negatively affected endowment funds and other investments
- the implementation of new national accounting standards for post-retirement benefits, which requires the university system to set aside a higher level of funds than in past years
- and essentially no increase in the FY09 State appropriation, with the exception of investment in the Maine Economic Improvement Fund, a successful economic growth initiative based on university research

“We treat tuition and fees as the revenue source of last resort,” explained Richard L. Pattenaude, university system chancellor. “The combination of budget cuts and tuition increase were designed to maintain academic quality and to minimize, to the greatest extent possible, the size of the tuition increase.”

State appropriation and tuition and fees comprise 82 percent of university system revenues, excluding dedicated funds such as research grants and contracts, Pattenaude explained. Under the FY09 budget, the State provides 36 percent while tuition and fees make up 46 percent. The remainder comes from room and board fees, endowment income, and other sources.

“With overall operating costs rising and with no increase in State funding [excluding research funds], the university system had to offset the increased costs through budget cuts and an increase in tuition and fees,” Pattenaude said. “We simply had to prioritize and make tough and painful decisions in order to maintain academic quality.”

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On average, tuition and fees for a full-time undergraduate student from Maine will be \$7,822 for the academic year, an increase of \$720. Tuition and fees for out-of-state undergraduate students will rise to \$19,738, an increase of \$1,675. Room and board rates for students living on campus will cost, on average, \$7,776, a 6.6 percent increase over the recently completed academic year.

Pattenaude noted that even with the increases, the total in-state charges for attending the University of Maine, the state system's flagship university in Orono, remains the least expensive among the six New England flagship institutions.

Trustees also expressed regret about the personnel actions and budget cuts that were necessary to save \$15.7 million. The actions include eliminating at least 139 positions. Some of those positions currently are vacant and will not be filled. Other positions being eliminated involve layoffs and voluntary retirements and departures.

Along with those actions, senior administrators within Maine's seven universities and the System's central office will not receive a pay increase for the new budget year, a total savings of \$300,000.

Pattenaude explained that the budget cuts affect all seven universities as well as the System's centralized functions. Each university determined its priority areas when determining where to make cuts as part of the process for balancing their respective budgets. The largest cuts involved the University of Southern Maine, which is cutting its FY09 budget by \$7.5 million as part of a larger-scale cost-containment plan. The University of Maine, in Orono, reduced its FY09 budget by \$5 million, while the University of Maine at Farmington cut \$1 million. The four other universities reduced their respective budgets by \$536,000 or less.

In addition, the budget for the University System's centralized operations, based in Bangor, was cut by \$1 million.

"Even with extensive cuts in personnel and operating expenses, a tuition increase was unavoidable and necessary to balance the budget," Pattenaude explained.

While the FY09 budget was the most prominent item on the trustees' agenda, other actions taken at the two-day meeting include:

- approval of an "RN to BSN" degree, to be offered by the University of Maine at Augusta. Under this program, registered nurses in the workforce who hold an associate's degree may work toward a baccalaureate degree to allow them to perform at a higher level. The move was designed to help address Maine's growing shortage of nursing professionals.
- continuation of the appointment of Donald N. Zillman as president of the University of Maine at Presque Isle.
- appointment of Susan J. Hunter as vice president for academic affairs and provost at the University of Maine; Jeffrey E. Hecker as dean of the UMaine's College of Liberal Arts and Sciences; and Rosa S. Redonnet as executive director of student affairs for the University of Maine System.
- elected Lyndel J. Wishcamper of Freeport as incoming chair of the board, succeeding Weston, and re-elected Barry McCrum of Mars Hill as vice chair.
- formally thanked Weston and Charles L. Johnson III of Hallowell, following completion of ten years of service on the Board. With their terms of service completed, Governor Baldacci is expected to appoint successors in the near future.

Established in 1968, the University of Maine System is the state's largest educational enterprise. It has an annual enrollment of more than 45,000 students. It features seven universities – some with multiple campuses – located across the state, as well as 10 University College outreach centers, a law school, and an additional 75 interactive distance learning sites. For more information, visit www.maine.edu.