



A Time of Challenge and Change

The State of the University

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A Time of Challenge and Change: The State of the University

Madam President, Madam Speaker, honorable members of the 124th Maine State Legislature; President Fitzsimmons; Trustees; Presidents; distinguished guests and friends.

Thank you for the invitation to speak before you today. It is a great honor.

Michele and I moved to Maine in 1991, the year I became President of the University of Southern Maine. I was born in the Pacific Northwest, and have lived in many parts of the country. To borrow a line that President Mitchell often says about herself, “Yes, it’s true I was not born in Maine, but I got here as fast as I could.”

I remember the first “State of the University” address I attended as USM President. It was delivered by my good friend and mentor, Chancellor Bob Woodbury, who contributed so much to the University System. I was seated up in the gallery, alongside the other University Presidents. In fact, I sat up there on more than a dozen occasions as the University Chancellor addressed the legislature. The distance between here and there is short, but the difference is far greater than I ever realized.

Being chancellor is enormously exciting and challenging. But if I had had my druthers, I would have chosen a different time to present to you the state of the University. These are troubling economic times, and perhaps the most difficult time to be a policy maker or higher education leader than any of us will ever experience.

I’d like to find that guy who keeps saying, “May you live in interesting times” and smack him upside the head!

It would be easiest for me to stand here and simply complain about conditions that neither you nor I have any control over, and then simply implore you to solve our challenges. That would not do anyone any good—and I doubt it would be successful.

I prefer to take a more realistic approach to this opportunity to speak to you, mindful of the fact that the past 10 months do not necessarily forecast the next five years. I’m reasonably optimistic about the future—knowing, of course, that there will be significant bumps in the road as we move forward.

Our trustees, presidents, faculty and staff, and I are working with our stakeholders to craft a long-term approach to transforming our University System. It involves making difficult choices, but I’m confident that the end result will make our universities more effective, affordable, financially sound, and accountable.

I know you, too, face similar, difficult choices. Still, it is not easy. It reminds me of what someone once said about change: “Hey, change is great! You go first!”

Well, we are not the first to undertake change during these harsh times. But we certainly are pursuing it with a scope and speed that reflects the urgency of the moment.

Despite the harsh economic conditions, it is important to note that many, many things are going well at our public universities. We continue to serve our long-standing mission of helping Maine address the educational, economic, and cultural needs of its people—its businesses, industries, and entrepreneurs; its farmers, fishermen, and foresters; its homemakers, families, and educators; our civic and community organizations and associations; and our governments at every level—local, county, state, and federal.

It's fair to say that the University of Maine System touches and assists, in some way, every person in Maine.

This work is performed by our universities. Our System Office has its own essential work of providing much of the guidance and infrastructure that supports these universities. I firmly believe in the value and effectiveness of a university System—but only if it has strong and responsive universities; those are the heart of a great system. I have a sneaking hunch the Presidents would agree with that.

The University of Maine System continues to be the state's largest single provider of postsecondary education. Last calendar year we enrolled over 44,000 students—that's two-thirds of the students enrolled in public higher education in Maine.

The University System also continues to be Maine's primary source of an educated workforce and citizenry. Last year our universities awarded over 5,600 college degrees—that's half of all degrees awarded in Maine.

And the top three fields for our graduates? Education, health care, and business, reflecting our focus on the needs of our state. Let me add that the number of graduates in health care fields has increased 44 percent in the last five years.

We also awarded a record number of master's degrees—927 last year.

One student preparing to receive her master's degree this year is Michelle Morgan. Michelle's story is not unusual in Maine. She graduated from Oak Hill High School in 1997. She didn't immediately go to college; instead, she moved away, started a family, and later decided to come back to Maine.

Michelle enrolled at USM's Lewiston-Auburn College. In 2003, she received her bachelor's degree, graduating *summa cum laude*. And this May, Michelle will be awarded her master's degree at USM. And then she has a really tough choice to make: Will she pursue her Ph.D. at Harvard or Yale? Both schools have offered her a full tuition scholarship—and an annual stipend and benefits for five years—while she pursues her doctorate. Michelle did not take the traditional road through college, but she worked extremely hard, and it is paying off.

Her story is a great one. And there are thousands like hers. They give us great satisfaction.

Today there are over 114,000 alumni of our universities living in Maine. They contribute to civic and community life—and to Maine’s economy and its tax base. Many of our universities’ alumni and alumnae serve in Maine’s legislative, executive, and judicial branches of government.

Our students are not the only ones who take advantage of what your universities have to offer. Each year more than a half million residents of Maine—of all ages—visit our campuses. They come for classes as well as for special lectures, seminars, and conferences. They come to visit the museums and archives, or to attend a play, a game, or a concert. Young people arrive to participate in co-curricular programs such as music and theater camps, sports camps, and academic enrichment programs. And many of Maine’s older citizens take part in Senior College, a lifelong learning program offered at most of our universities.

Still others come to work with our experts. They include entrepreneurs trying to develop a new product or technology. Many of you no doubt saw the news story about a group of investors with Maine ties announcing the creation of a new company, called Advanced Infrastructure Technologies, or AIT. It is locating in Orono and investing \$20 million to commercialize technology developed at the University of Maine’s Advanced Engineered Wood Composites Center. Many of you learned about this during your Policy Leaders Academy—the amazing “Bridge in a Backpack” process developed by Professor Habib Dagher and colleagues, which was used to construct the new Neal Bridge in Pittsfield. Many people believe that this technology will revolutionize the way bridges are built in the future. AIT is partnering with UMaine to turn this proven research into jobs, products, and economic growth.

Research takes place on all of our campuses—Machias, Fort Kent, Presque Isle, Farmington, and Augusta, but primarily at the larger universities: USM and, most notably, at UMaine. And it occurs in all academic disciplines; it helps the State but also is essential to keeping our courses vital and up to date. Each year the faculty and researchers receive millions of dollars in federal and private sector research grants and contracts. As you might expect, given its mission, University of Maine researchers generate the most outside funding, making it possible for them to expend an impressive \$96.1 million in FY07. And for its part, USM expended \$34.8 million as a result of grants and contracts, much of it through its Muskie School of Public Service.

University-based research informs many types of public service and outreach as well. Examples include:

- Working with hospitals, health care providers, and biomedical labs—as UMaine does—to address their personnel and research needs
- Working with government agencies—as USM does—to deal with social or economic issues

- Helping cultural entities—as Fort Kent and UMA do—to raise awareness and showcase Maine’s history and the arts
- Working with our K-12 schools—as Farmington does—to address issues related to classroom curricula, administrative efficiencies, and promoting educational aspirations
- Advising not-for-profit agencies and community organizations—as Presque Isle and Machias do—to provide guidance on issues that volunteer organizations often face
- Assisting families, small businesses, and industries—as all of our universities do

Those are just some of the reasons I am energized about our universities. They are serving the educational, economic, and cultural needs of our state—of your constituents and ours.

But as I noted earlier, my optimism must be tempered by the current economic realities. The University System has experienced the same challenges that you, as policy makers and as everyday citizens, are facing—rising costs, dramatic declines in the value of assets, falling revenues, and few attractive options for increasing our revenues.

In addition, our concerns are compounded by other factors—aging facilities, some of which date back to the 1800’s; and changing demographics, particularly the drop in the number of students graduating from Maine’s high schools over the next decade.

For us, these forces have created a substantial long-term financial gap. We’ve calculated it at \$42.8 million—that’s the amount we need to cut from our budget or find in new revenues over the next four fiscal years to cover our basic anticipated expenses. By any measure, that’s a lot of money.

But it’s even more daunting considering what we have done over the past two years. The budget the Board of Trustees approved last May reduced planned spending by \$19.1 million. Since then, we have made additional cuts and operational changes. By the end of this fiscal year, we will have reduced the cost of our operation by \$34.2 million. More than 150 positions have or will be eliminated during this fiscal year through layoff notices, attrition, and position eliminations. And I regret to say that many more will occur over the next year and beyond. But that is the reality we face.

I don’t like this trend. But there’s no responsible way around it: transformative change of our University System absolutely must occur in order to fulfill our mission in a financially sustainable manner.

The transformative change we are pursuing is outlined in a document entitled “New Challenges, New Directions,” the planning document the Presidents and I developed—and our Trustees endorsed—to guide us toward financial sustainability. This work is framed by three overarching goals:

1. To serve the educational, cultural, and economic needs of our people and our state;

2. To keep the cost of baccalaureate and graduate education affordable for our students and their families; and
3. To implement efficiencies, organizational changes, and further economies of scale to bring spending in line with available resources.

We have no choice but to engage this challenge head-on—and have little time to do so. Many of the major decisions about structure and operations must be adopted by the start of the fall semester. You know, some have suggested that universities change with the speed of a runaway glacier. Given the work to be done, that's no longer acceptable.

A key part of this transformative effort involves a 12-person task force. This committee has been charged with reviewing and making recommendations about the size and nature of the System's governance and operation. The task force is headed by David Flanagan, the former CEO of Central Maine Power Company who, 14 years ago, chaired the University System's Board of Trustees. We appreciate the time and energy he is dedicating to this assignment.

Supported by private funding from the Davis Educational Foundation, the task force has held 18 public hearings around the state, received testimony from 228 individuals so far, and met with some of the nation's top experts on higher education governance and operation.

Using the knowledge gained through this process, the task force will, in June, present its report to me and the Presidents. The report will present strategic options for change, and will be considered as part of the larger, across-the-board financial sustainability plan which we will present to the Board of Trustees in July. I will, of course, share it with you and the Governor, as well, as we proceed.

Given the size and importance of the University of Maine System to the state's economic health and well-being, this is an essential action. I'm sure you understand because you are facing similar significant challenges. And they are, indeed, related.

The greater Maine's educational attainment levels, the stronger Maine's economy. You've heard that before from the Maine Compact for Higher Education; from the Maine Development Foundation; from our Governor; from your own leadership; and from many other entities and experts on economic growth, including, of course, the ubiquitous Charlie Colgan.

We're all familiar with the statistics about how, here in Maine, the average graduate of a four-year university or college earns 43 percent more per year than a person without a college degree. And a person with a master's degree makes, on average, almost twice as much per year as a person without a college degree. It's the old adage, "The more you learn, the more you earn." Having that degree is good for individuals, good for their families, and good for Maine.

But education is about more than personal income. Consider the benefits to society. Individuals with post-secondary education are less likely to be unemployed; less likely to be dependent on

public assistance; less likely to be involved in criminal activity; more likely to be involved in civic and community life; and more likely to give to charitable causes.

And of course, there are the broader economic benefits. Businesses and investors seek out areas where a college-educated work force can be found. They locate their operations or put their money in areas where there is a critical mass of brain power. North Carolina's research triangle; Massachusetts's route 128 corridor, and California's Silicon Valley are the classic examples of that.

I am pleased to report that we are beginning to experience that here in Maine, north and south, east and west. Our universities, hospitals, and not-for-profit research institutions attract hundreds of millions of dollars a year in outside research investment; it has become one of the state's fastest growing industries. Your support has contributed greatly to that development.

A great example of this is the Maine Economic Improvement Fund, or MEIF, created in 1997 to help our universities leverage federal and private sector grants to help develop key sectors of the Maine economy. Last year alone, UMaine and USM turned \$13.8 million from this fund into \$65 million in R & D investments. Those funds supported the full-time equivalent of 597 jobs, right here in Maine. MEIF is truly a Maine success story—an example of public/private/university partnerships.

Also, I am proud to note that as a result of this effort, the University of Maine is now listed among the nation's Top 100 public research universities.

Economic growth does depend on many elements and resources, but there is ample evidence that higher education is the most critical variable in that formula. When making this point, I often think of Kent Peterson. He's the CEO of Fluid Imaging Technologies of Yarmouth, one of Maine's steadily growing number of high-tech companies, and has been working with our universities for several years. In 2008, *MaineBiz* named Kent its "Small Business Leader of the Year." Kent was asked what Maine could do to improve its economy. Kent's answer was short and simple: "Invest in higher education and the rest will follow."

But I think we may have reached the tipping point—the point at which Maine has to decide whether it's willing and able to make the commitment to higher education that Kent Peterson and many among you have been calling for. An array of efforts has been made to find the right keys for growing our economy—tax increment financing, the BETR program, Pine Tree Zones, just to name a few—and those have important purposes as strategies for protecting and growing Maine's employment and tax base.

But I believe that nothing will do more to improve Maine's economy than to invest in our citizens by making sure that our public universities, our community colleges, and the maritime academy can offer affordable, high quality educational options; that they have the faculty, equipment, and support staff needed to ensure their success; and that our institutions are part of a larger state economic growth strategy.

We indeed face unprecedented challenges. And while financial forces are primarily responsible for this, we view the work ahead as an opportunity to make needed transformative changes.

Of course, we need your help and support. The University System and the Legislature have a time-honored and valued partnership serving the people of Maine. I deeply appreciate your efforts and the Governor's to maintain funding for our public universities. For example, the current biennial budget proposal includes no reduction in the Maine Economic Improvement Fund. That's enormously important.

But it is our operating budget that is our greatest concern. It is the key to our ability to sustain access, affordability, and quality on a statewide basis. That's why "New Challenges, New Directions" is so essential to our future.

It is our promise that we are doing our part. We are committed to controlling tuition increases; we must not balance our budgets on the backs of our students. We've made hard decisions, reduced operating costs, pared back programs, eliminated positions, and embarked on a broad-based effort to do more.

More tough decisions are coming. Some of those decisions will be noisy; you will hear from constituents about some of these. And people will question the reasons or processes or wisdom behind those decisions. The Trustees and I ask for your patience and understanding as we proceed toward our objectives—sustainability, affordability, and quality. Please be confident that no decisions are being made casually or callously. The Trustees, the Presidents, our wonderful faculty and staff, and I are deeply committed to serving the people of Maine, and making sure we are focused on our universities' core missions—education, research, and public service.

Simply stated, we must be absolutely sure to put our money on our mission. That means we must step back from ancillary activities that are good things but not at the heart of what we are about. This reminds me of an observation made by Peter F. Drucker, considered the father of modern management. Drucker said that an organization must know not only what it wants to do, but also what it can no longer do. Otherwise, it will "squander its best resources on things it should no longer do." Those are important words of advice and caution for all of us to consider.

Together, we must provide the people of our state with the knowledge, capacities, and skills to craft better lives and a better economy.

Together, we must invest in strategies that increase the educational attainment levels of Maine residents.

Together, we must make the commitments necessary to fulfill the role entrusted to us by the citizens of Maine.

I firmly believe that two years from now, when I address you for the next biennial “State of the University” address, I will describe a University System that has increased its value to Maine. That University System will be even more focused, even more efficient, and even more resourceful than now. We will do our part.

But, the educational and economic interests of Maine can only be advanced through partnership. Maine’s universities and community colleges cannot do this without you. I recall a commencement speech given by Dr. Benjamin Hooks, the former head of the NAACP, in which he spoke to the value and imperative of such partnerships in difficult times. He said, “The water is wide. I cannot step it alone.”

Speaking for your public universities, we cannot take the necessary steps to greater quality, affordability, and financial sustainability without your help and support. Your universities need our continuing partnership in the difficult days ahead.

Thank you.



University of Maine

University of Maine
at Augusta

University of Maine
at Farmington

University of Maine
at Fort Kent

University of Maine
at Machias

University of Maine
at Presque Isle

University of
Southern Maine

Established in 1968, the University of Maine System is the state’s largest educational enterprise. 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. With an annual enrollment of approximately 44,000 students, it educates 68 percent of all students enrolled in Maine’s public universities, community colleges, and Maine Maritime Academy. For more information, visit www.maine.edu.

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