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2009

**Report of the Task Force:  
New Challenges, New Directions**

*Draft of June 23, 2009*

DRAFT



Maine's  
Public  
Universities

UNIVERSITY OF MAINE SYSTEM

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1 **EXECUTIVE SUMMARY**

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This is the third of three reports prepared for the Chancellor and Board of Trustees under the “New Challenges, New Directions” initiative. The initiative is designed to identify an economically sustainable path for the University of Maine System that can meet the needs of Maine people.

Our Task Force addresses questions surrounding governance, mission, and funding—questions that go to the core of the System’s operations. We have reviewed dozens of reports, heard testimony from hundreds of interested people, consulted with national experts, and read materials on best practices.

We found that the University System faces both a financial and a performance challenge. Financially, the System confronts a potential shortfall of \$50 million in the next four years. In terms of performance, the State of Maine needs to graduate a third more people per year in order to keep pace with our global competitors. We believe that the University System can meet these demands within its existing governance structure, and with a reasonable level of state funding. But to do so, it must change its way of doing business within that structure. For this, we have five recommendations:

**1. Establish a public agenda.**

Maine needs to transform itself economically and demographically in the future. The University System has an essential role in this process. However, that role is not spelled out in a clear and compelling way, with measurable benchmarks of performance, and the buy-in of key constituencies in the state. This is what is referred to as having a “public agenda.” The next three recommendations identify the leadership that must be taken by the Board of Trustees and the Chancellor to establish a public agenda for Maine to put an end to business as usual and to start prioritizing the half billion dollars in university spending annually to match the System’s policy priorities.

**2. Act as a union and not a confederation**

Historically, the University System has emphasized freedom for its individual campuses to pursue their own dreams and to engage in expensive competition among each other. This has led to a proliferation of majors and programs, a loss of focus at the campus level, difficulty for students in transferring credits, and a reduction in quality. Our next six recommendations spell out the steps that must be taken to provide focus, quality, and customer-friendliness to the System. They include clearly differentiating campus missions; transforming distance education; and taking several steps to make credit transfers easier, such as designing common introductory courses, and working with the presidents and the Community College System to have integrated programs.

1  
2 **3. Restructure System-wide Services**  
3

4 System-wide Services are those administrative functions that operate centrally under the  
5 leadership of the Vice Chancellor for Finance and Administration, and serve all seven  
6 campuses. There is a general recognition that System-wide services are an important and  
7 logical function for the University System, but there also has been a high level of discontent  
8 with how these services are provided. We recommend several steps to make System-wide  
9 services more accountable, while at the same time urging the University System to explore the  
10 expansion of common service provision and purchases in such areas as printing, fleet  
11 management, travel management, and the like, when it makes economic and programmatic  
12 sense.  
13

14 **4. Use financial policy to realize System goals**  
15

16 Traditionally, the University System has looked at state funding, tuition, and student aid, as  
17 three independent financial questions. We urge the Board and Chancellor to see these as  
18 additional tools available to achieve the University System's public purpose goals. The pricing  
19 of tuition and the provision of student aid are tools for improving access for first-generation  
20 students, attracting out-of-state students, and reducing dropouts caused by finances. The mix  
21 of funding available to each campus from state funds and tuition should be decided  
22 strategically, based upon access, quality, and research and development goals. This is a  
23 complex subject to treat in an executive summary, and is discussed in detail in the chapter  
24 addressing this issue.  
25

26 **5. Start now**  
27

28 Finally, we urge the Board, Chancellor, and presidents to move quickly on the  
29 recommendations contained herein. Major budget challenges have already arrived, and it is  
30 important that those financial decisions reflect the long-term interests of the state and the  
31 University System.  
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# 1 INTRODUCTION

2  
3 *“Profound changes in society demand profound changes in institutions. Colleges and universities,*  
4 *through their governing boards and top administrative leadership, must find ways to embrace change*  
5 *more fully, readily, and agilely than they have in the past, say leaders and policy analysts who have*  
6 *studied the issue. True reform is needed, they say—change that reaches deep into the heart of an*  
7 *institution and results in significant shifts in thinking, actions, and culture.”*

8 *“Toward Transformative Change: Finding a Path to Systemic Reform”,*  
9 *Stephen Pelletier, Trusteeship, AGB, March/April 2009*

10  
11 In January 2009, the University of Maine System (UMS) Board of Trustees formally approved a  
12 proposal and a process for the implementation of systemic transformative change within the  
13 public universities of Maine. Entitled “New Challenges, New Directions: Achieving Long-Term  
14 Financial Sustainability,” the proposal detailed a process for creating sustainability of the  
15 University System to assure that the citizens of Maine might achieve a better future. As we  
16 move forward to approve and implement the recommendations embodied within this report,  
17 the central focus of our efforts continues to be on the citizens whose lives are transformed  
18 through higher education.

19  
20 *“In order for Maine to be successful in the 21<sup>st</sup> century, it is imperative that the University*  
21 *System be positioned to achieve its primary mission of university education, research, and public*  
22 *service, and the expansion of a knowledge workforce in Maine. Change is necessary, but it must*  
23 *be sensible and fully support the many achievements made to date and must always benefit our*  
24 *students.”<sup>1</sup>*

25  
26 As described in the planning document (NCND) developed by the Chancellor and the  
27 presidents, three goals frame this sustainability initiative:

- 28  
29
  - 30 1. To serve the educational, cultural, and economic needs of our people and our state;
  - 31 2. To keep the cost of baccalaureate and graduate education affordable for our students  
32 and their families; and
  - 33 3. To implement efficiencies, organizational changes, and further economies of scale to  
34 bring spending in line with available resources.

35 The University of Maine System work on transformative change has been organized within  
36 three distinct but overlapping arenas: administrative (also called “Arena 1”), academic (“Arena  
37 2”), and structural. Our Task Force’s responsibility is the last. The Chancellor and Board of  
38 Trustees have asked us to: *gather data, review models in other states, and gather input from*  
39 *individuals and groups inside and outside the System, to foster recommendations on the future structure*

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<sup>1</sup> “New Challenges, New Directions” Page 2

1 *and function of the System that will result in lower cost of operations and greater financial sustainability.*

2 *Areas of inquiry will include:*

- 3       ▪ *Size and role of the Chancellor's Office*
- 4       ▪ *Structure, funding and oversight of System-wide Services*
- 5       ▪ *Levels and sources of funding for universities, including appropriations*
- 6       ▪ *Relationships among universities*
- 7       ▪ *Focus of university missions*
- 8       ▪ *Optimum levels of academic offerings in a geographic area.*

9  
10 In response to this charge, in only a few short months our Task Force has:

- 11       ▪ Reviewed the 1986, 1996, and other Task Force reports;
- 12       ▪ Submitted 42 data requests to the University System, and digested the hundreds of
- 13       pages of statistics that were provided;
- 14       ▪ Listened to more than 250 students, professors, administrators, support staff, and
- 15       interested citizens testify in 21 public hearings throughout the state;
- 16       ▪ Met with each of the presidents, their staff, Board of Visitor members, and Trustees
- 17       ▪ Consulted with expert witnesses from university systems around the country,
- 18       including Steven Reno (New Hampshire) Tom Layzell (Kentucky), Terry McTaggart
- 19       (Maine), and Robert Zemsky (Pennsylvania);
- 20       ▪ Met and talked with the Governor, Legislative leadership, and the members of the
- 21       Appropriations Committee;
- 22       ▪ Retained national college management benchmarking experts at the National Center
- 23       for Higher Education Management Systems (NCHEMS);
- 24       ▪ Read and reflected upon correspondence received through our website; and
- 25       ▪ Contributed countless hours of time.

26  
27 The Task Force believes that we are fortunate to have a system of higher education with as  
28 many positive characteristics as ours. We have an outstanding, largely well-prepared and  
29 motivated student body; a caring faculty of formidable intellect and accomplishment; a  
30 conscientious administrative support staff; and a Board and executive leadership providing  
31 direction free from politics or self-interest, and working to act in the best interests of the  
32 University of Maine System's multiple constituencies. Above all, the campuses of the University  
33 of Maine System represent an extremely attractive value proposition—an excellent education at  
34 costs far below competitive private, and even some public, colleges and universities in New  
35 England. The universities of the Maine System well deserve their accreditations, and our  
36 acknowledgment for their crucial role in our society.

37  
38 However, our mandate is not to congratulate the University System on its accomplishments, but  
39 to consider how to preserve the best of what it has to offer through dire economic times, and to  
40 improve its ability to respond to the challenges Maine higher education must face. To do this,  
41 we have interpreted our charge broadly. The University of Maine System cannot address its  
42 financial shortfalls simply by saving money on reorganizing its administrative activities. The

- 1 System needs a governance structure that enables it to fundamentally reorder its existing
- 2 resources. Our report recommends how to achieve this.
- 3

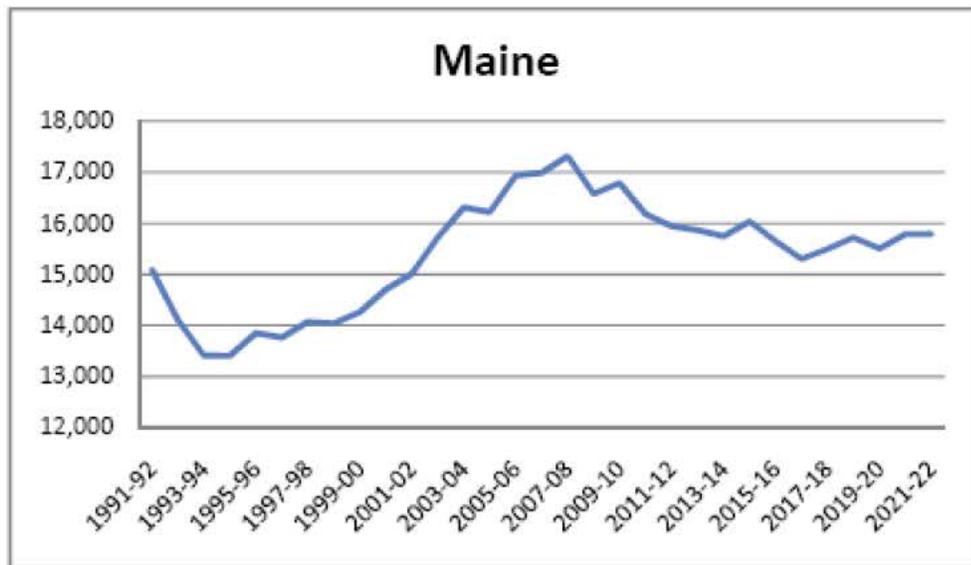
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# 1 THE CHALLENGE

## 2 The Double Challenge

3 The University of Maine System faces a two-fold challenge. The first is a financial gap. As the  
4 Chancellor points out in the document establishing our Task Force<sup>2</sup>, the University System faces  
5 a resource shortfall in the next four years arising from several factors:

- 6
- 7     ▪ A declining demographic of high school seniors in Maine and New England<sup>3</sup>
- 8



9  
10 *Maine High School Graduates, 1991 - 2022*

- 11     ▪ State budget shortfalls caused by the deep recession will limit the ability of the  
12 Legislature to provide significant further financial aid in the next four years;
- 13
- 14     ▪ Slow growth in family income limits the affordability of tuition increases;
- 15
- 16     ▪ Loss of investment income due to the stock market retraction; and
- 17
- 18     ▪ The rising costs of higher education.
- 19

20 The Vice Chancellor for Finance and Administration now estimates this gap at \$43 million over  
21 four years. In other words, in four years, the University System must plan on operating with  
22 nearly 10% less in the way of resources than are available today. We believe this analysis likely

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<sup>2</sup> "New Challenges, New Directions: Achieving Long Term Financial Sustainability," January 11, 2009

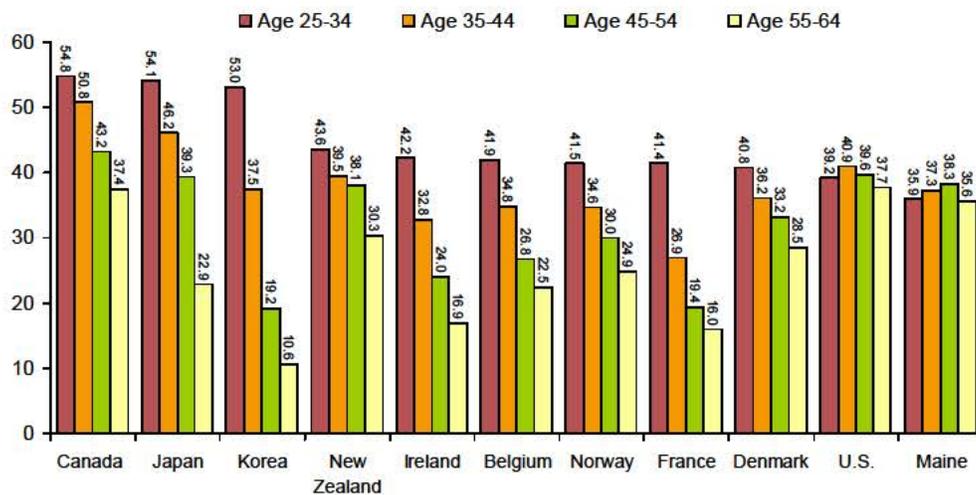
<sup>3</sup> The Arena 2 report has a detailed discussion of this issue.

1 represents the best case scenario. Moreover, the gap will probably be even greater in real, as  
2 opposed to nominal, dollars should inflation reemerge.

3  
4 The second is a performance gap. Although the University of Maine System has many  
5 outstanding individual programs—in areas such as pulp and paper, marine sciences, public  
6 policy, teaching, and composite materials, as well as many others—as a *System*, it is not  
7 supporting Maine’s students and Maine’s economy to the degree that we need. Our Task Force  
8 has heard testimony that:

- 9  
10 ■ Maine, like the United States as a whole, is becoming the first post-industrial society  
11 in history where the parents will have achieved greater average level of educational  
12 achievement than their children;<sup>4</sup>

Percent of Adults with an Associate Degree or Higher by Age Group – Maine, U.S. & Leading OECD Countries



14 slide 5

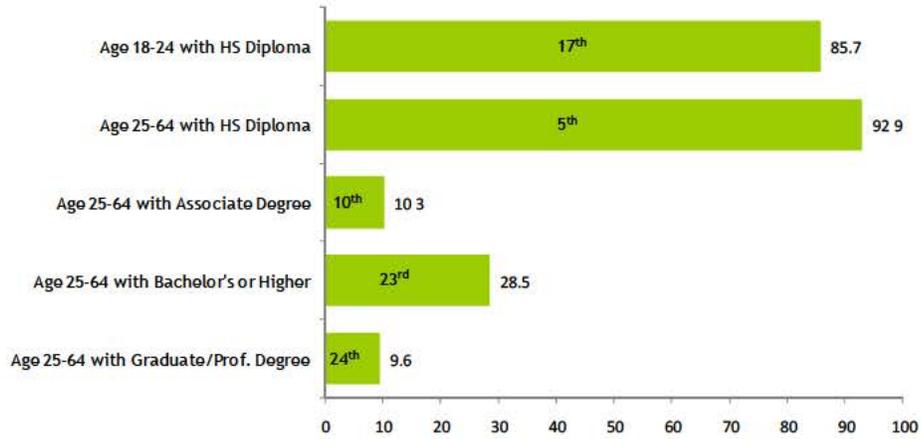
Source: OECD, *Education at a Glance 2008*

- 15  
16 ■ Maine needs to produce a third more college graduates by 2025 than it is producing  
17 at the current rate, in order to meet the challenge of 51% of residents attaining  
18 college degrees, the goal the Maine Compact for Higher Education has set for Maine  
19 to be competitive in the world economy;<sup>5</sup>

<sup>4</sup> NCHEMS Power Point presentation, 5/20/09

<sup>5</sup> *Ibid.*

## Educational Attainment and Rank Among States Maine, 2007 (Percent)

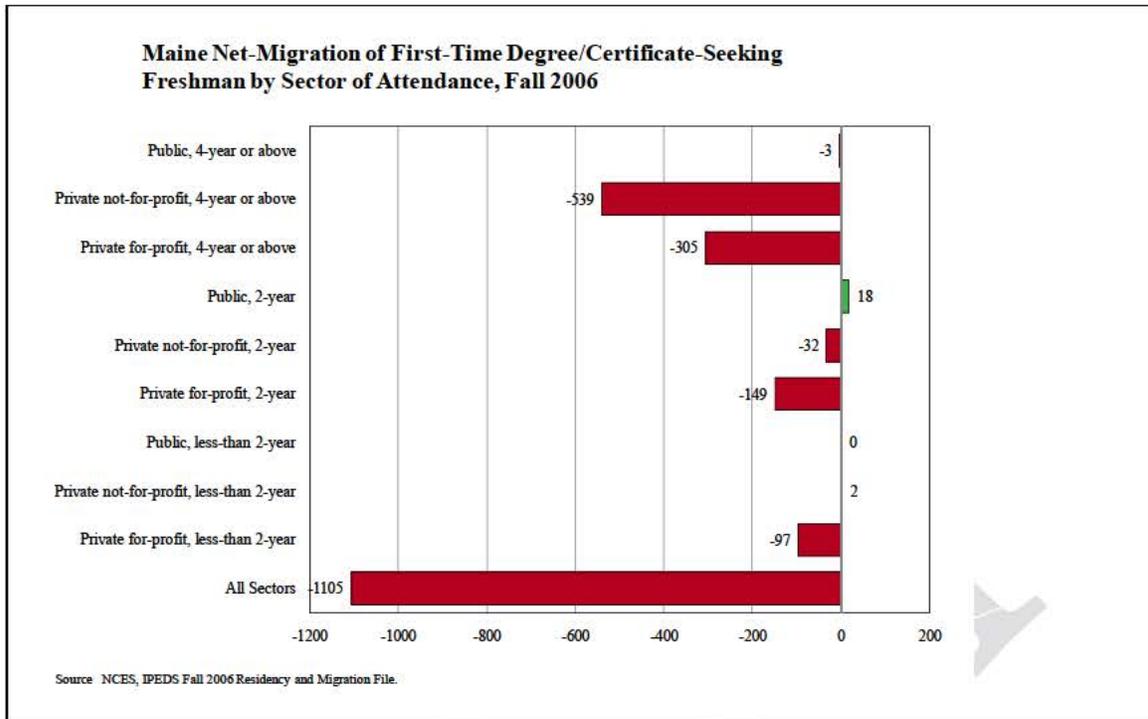


Source: U.S. Census Bureau, 2007 ACS

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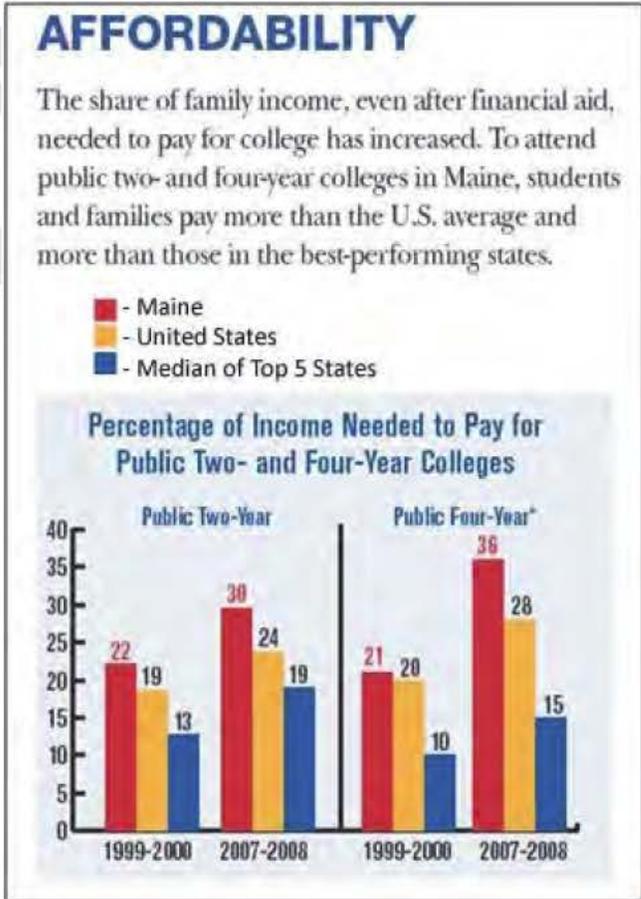
- Students at the University of Maine System are less likely to successfully achieve their degrees within six years than are students at comparable public university systems in New England<sup>6</sup>;

<sup>6</sup> *Maine Compact for Higher Education, Indicators of Higher Education Attainment in Maine, August 2008, p 23; the Governor's PK-16 Council places the shortfall at 40,000 degrees.*



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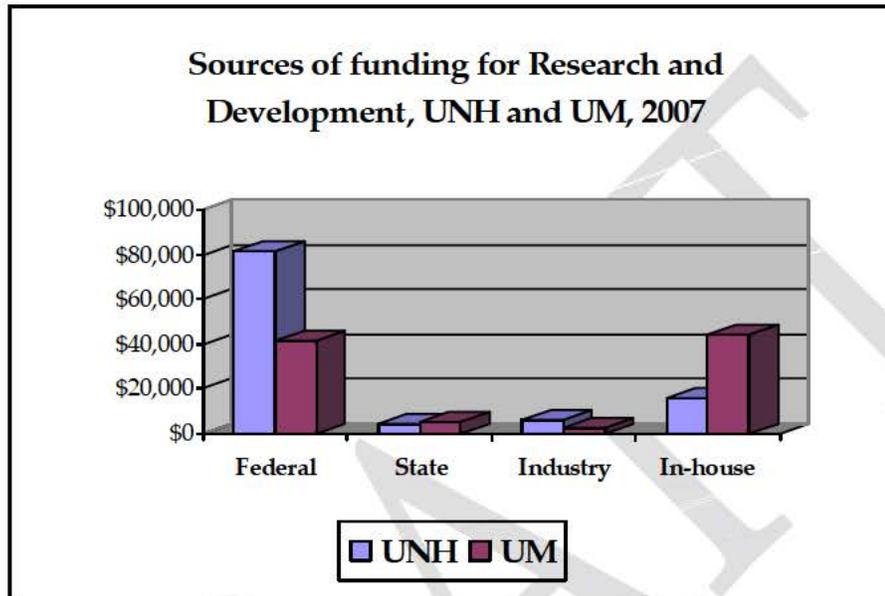
- More students leaving college migrate out of Maine than come in—the reverse situation from the rest of New England. As the Compact for Higher Education points out, “Nationally, students are more likely to stay in the state where they attend college than the one where they attended high school.”<sup>7</sup>
- Low and middle income Maine families must pay a higher proportion of their income for tuition and other college costs than is true for families in other New England states (see graphic from the National Center for Public Policy and Higher Education’s “2008 Report on the States” – in which Maine received a grade of F for affordability).<sup>8</sup>



<sup>7</sup> *Ibid.*, p. 35.

<sup>8</sup> *Indicators*, p. 25.

- 1  
2  
3  
4     ▪ The University of Maine lags behind some of its peer state land grant universities in  
5         its ability to attract private and federal research and development grants.<sup>9</sup>  
6  
7



- 23  
24     ▪ Participation in the University of Maine System varies dramatically by region within  
25         Maine.<sup>10</sup>  
26

27 In short, Maine has a performance shortfall as well as a financial shortfall. That is why, for the  
28 good of the state, for the health of the Maine economy, and for the future of Maine people, the University  
29 of Maine System must educate more students more successfully with less money.

30 **The Opportunity**

31 This challenge can be met. Maine can educate more students at lower cost.  
32

33 The overall funding level for the University of Maine System must be maintained, while  
34 recognizing that increased General Fund appropriations would allow for greater access by more  
35 students through reduced tuition burdens. The University of Maine and the University of  
36 Southern Maine receive state and tuition funding per student in the middle range of their peer  
37 schools around the country; however, in order to more effectively meet their public purpose  
38 goals, the System will have to spend those resources, and charge for their services, in different

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<sup>9</sup> NCHEMS

<sup>10</sup> NCHEMS

1 ways than at present (these and other points in this section will be explored in depth further on  
2 in the report).

3  
4 Of course, additional General Fund appropriations could be put to excellent use, such as  
5 improving the System's ability to provide greater financial aid. Right now, Maine ranks 37<sup>th</sup>  
6 among the states in its tuition cost compared to average income—in other words, we require a  
7 greater share of family income, when our family income is itself relatively low compared to  
8 other states.

9  
10 The University of Maine System does not “need to close campuses,” as is often asserted. The  
11 smaller institutions provide valuable university access to rural Maine students and  
12 communities at a relatively modest cost. The challenge is not to figure out political ways to  
13 close them; rather, it is to figure out how to increase their attendance and economic usefulness.

14  
15 The University of Maine System does not need to revise its governance structure. The structure  
16 on paper is that of a System board, a Chancellor, and campus presidents. This is fine. It is a  
17 structure used effectively all over the country. Indeed, former Chancellor Woodbury noted that  
18 the Maine System has won kudos nationally as a governance model, and we are fortunate to  
19 have one of the least intrusive political models in the country, for which we should be grateful  
20 for the vision and forbearance of successive governors and legislatures, dating back to the  
21 Brennan Administration. There is no need to change structure. There is a strong need,  
22 however, to change the roles of the participants within this structure. There is a need to  
23 institute clear central management direction and control in the interests of efficiency, economy  
24 and competitiveness in higher education in Maine.

25  
26 This last point deserves further elaboration.

## 27 The Management Challenge

28 Here are some of the symptoms of management issues at the University of Maine System:

- 29  
30 1. The System has a public policy agenda with quantified objectives<sup>11</sup> around goals of  
31 student success, research and development, environmental stewardship, financial  
32 sustainability, and higher education advocacy—but the agenda is not linked to other  
33 economic development strategies or studies outside of the University System, is  
34 incomplete with regard to the challenges the state faces, and most problematic of all,  
35 is not connected in any way to the budget and resource allocation process in the  
36 University of Maine System—as is illustrated by the fact the Chancellor has a grand  
37 total of \$200,000 out of a total budget of one half billion available at his discretion to  
38 fund System “Agenda for Action” goals.

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39  
<sup>11</sup> Agenda for Action 2008

2. The budget process begins with the assumption of what happened last year is what needs to happen next year—there is no regular System-wide evaluation of majors and courses, of what the state economy requires, and of what students want, as part of the budget process.
3. There is little trust among campuses when it comes to sharing or collaborating on common services. There are separate admissions, marketing, and personnel arrangements. Cooperation appears to be achieved randomly, or in many sectors, not at all.
4. After decades of discussions and promises, it remains a tangled web for students to transfer credits from one System university to another, or to move from one level of Maine’s overall higher education system to another;
5. System campuses compete intensely among themselves for students, funds, courses, and majors. The result is an expensive duplication and fragmentation of courses and majors across the campuses. Maine can ill afford this expensive internecine competition.
6. The usual management tool box, used in both the public and private sectors, does not appear to play a prominent role in decision-making. This tool box generally includes:
  - i) realistic, focused strategic plans based on an understanding of opportunities, comparative advantages, and optimal use of resources;
  - ii) goals and objectives cascading through various levels of leadership;
  - iii) objective, quantifiable, and timely metrics for productivity, value-added, and effectiveness;
  - iv) productivity incentives;
  - v) the collection of and analysis of student and internal customer feedback;
  - vi) benchmarking; and
  - vii) root cause analysis and best practice review.

With all the resources and demands of a one half billion dollar operation, management is acutely important. Simply put, we cannot afford to have the steering wheel of such a massive enterprise disconnected from the road wheels.

In essence, the current structure is one where the campuses are forced to deal with each other as competitors rather than as collaborators, in an expensive zero-sum game. The System is not as directive as it needs to be. At every level, decisions tend to be made by consensus—which is good for keeping everyone involved, but effectively precludes any actions that are outside of people’s comfort zones. Thus, the System tends to repose in inertia, or to move forward by the uncoordinated initiatives of individual campuses, rather than by explicit policy decisions. That is why the same problems are raised—and not addressed—year after year. It is why this

1 report will repeat many of the themes of the 1986 Visiting Committee Report and the Report of  
2 the Commission on Higher Education Governance (1996).<sup>12</sup>

3  
4 There are some who testified before us who look at the same set of persistent management  
5 problems, and conclude that the System arrangement has failed, and that it is time to return to  
6 separate campuses. We disagree. To paraphrase the English writer G.K. Chesterton, the  
7 University of Maine System has not been tried and found wanting; it has been found difficult  
8 and not tried.

9  
10 This is a management challenge that cannot be solved by more state money alone. Reports like  
11 this one are only one key component of a complex solution. It takes political will, leadership,  
12 and action. That is what we propose in the following pages.

13  
14

---

<sup>12</sup> Report of the Visiting Committee of the University of Maine, January 1986; Report of the Commission on Higher Education Governance, July 1996.

## 1 PRINCIPLES

2  
3 We begin with a few bedrock principles:

- 4  
5 1) The University of Maine System (UMS) exists for the sake of its students, current and  
6 potential. *Student success is the primary test of its success.*  
7
- 8 2) The University of Maine System must *perform as a cohesive "system"* drawing together  
9 seven distinctive public universities and a statewide network of centers and delivery sites  
10 united in a common purpose to provide quality higher education at affordable cost, to  
11 strengthen the Maine economy through research and outreach, and to improve the lives of  
12 all Maine citizens.  
13
- 14 3) The University of Maine System must *act in accordance with a set of overarching public*  
15 *policy goals* to meet the needs of students and to contribute to the quality of life and  
16 economy of the state and its regions. In this report, we will characterize these goals as the  
17 "Public Agenda."  
18
- 19 4) The University of Maine System must *operate with the clear lines of authority* and  
20 responsibility defined in the University of Maine System Charter with respect to the powers  
21 and duties of the Board of Trustees, the Chancellor, and the presidents.  
22
- 23 5) The System must *align the missions and resources of multiple institutions* with a long-term  
24 statewide public agenda and the financial realities facing Maine students, families, and  
25 taxpayers. Additional campuses, centers or sites should only be added when justified by  
26 cost/benefit analysis and clear benefit for the public agenda.  
27
- 28 6) The System must *increase the student pool*, even as the traditional college-age cohort  
29 shrinks, by increasing the participation rates in higher education of youth and adults,  
30 graduating more students, and joining with the MCCS and other Maine higher education  
31 institutions in reaching the goals of the public agenda.  
32
- 33 7) The System's programs and services should *respond to Maine's regional differences in*  
34 *educational needs, culture and economic conditions.*  
35
- 36 8) The System should *support the creation of a seamless education system* (pre-school through  
37 graduate education and lifelong learning—PK-20) by engaging with the Governor's Pre-K  
38 through 20 Council, and by working with the Commissioner of Education, the Maine  
39 Community College System, Maine Maritime Academy, and the state's private institutions,  
40 in pursuit of shared responsibility to achieve the goals of the public agenda.  
41
- 42 9) The System should *align financing, including allocation of State General Fund*  
43 *appropriations, tuition policy, and student aid policy, with the goals* of the public agenda

1 and differentiated institutional missions.

2

3 10) The System should operate flexibly, efficiently, and strategically to *better serve the residents*  
4 *of Maine and effectively compete for a share of the market.*

5

DRAFT

## 1. ESTABLISH A PUBLIC AGENDA

Maine is the oldest state in the nation. It is the least diverse racially. Its workforce is projected to begin to decline in the near future. Its traditional economic base—farming, forestry, manufacturing— is shrinking. Its cost of living is high, particularly for energy and health costs.

Maine also has great assets, as was pointed out in a recent Brookings Institute Report, and reaffirmed by the Governor’s Council on the Quality of Place.<sup>13</sup> The quality of Maine’s landscapes, Maine’s wilderness, Maine’s historic town centers, Maine’s recreational assets, Maine’s culture—all are increasingly attractive in a “homogenizing” global economy. They are attractive to the entrepreneurs and leaders of the new economy. As the Quality of Place Council reports:

*... in the new economy, the greatest competition worldwide is for people. People looking for a place to retire, or to visit awhile. People with energy and skills, who can start and sustain businesses in the new innovative sectors that Maine has targeted for future growth—biomedicine, composite materials manufacturing, computer programming, advanced technologies for boat-building, the new “local” agriculture, and the like.*

*People with skills in these areas can live anywhere. Our research shows they are most interested in living somewhere with a high Quality of Place. This is our most powerful advantage in the global marketplace for people.<sup>14</sup>*

Maine’s economic success in the coming decades will depend upon our ability to leverage our assets to attract and retain talented people who can build our economy. The success of the University of Maine System is essential to the success of the overall state’s goals.

The University System, through its seven campuses and outreach programs, does many things to contribute to our state’s challenges. It attracts talented students to come here to study from many places; raises the knowledge and capabilities of Maine students, both young and old; contributes to the cultural richness of the state; and contributes research and development to help many of the key industries mentioned above to compete, succeed, and hire Maine people. As this draft is being written, the United States Secretary of Energy, Steven Chu, is meeting with University of Maine researchers about a major new project on offshore energy development. Senator Susan Collins refers to this research as a “real game-changer.”<sup>15</sup> This is but one of many possible examples.

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<sup>13</sup> *Charting Maine’s Future*, Brookings Institution, 2006; and *People, Place, and Prosperity*, Governor’s Council on Quality of Place, December 4, 2007.

<sup>14</sup> *People, Place, and Prosperity*, page 4.

<sup>15</sup> “Can Maine be a leader in offshore wind power?” *Portland Press Herald*, June 3, 2009

1 These are all components of what is meant by a “public agenda,” particularly in reference to a  
2 university system. A public agenda is a statement of long-term goals for improving the state’s  
3 quality of life and global economic competitiveness. A public agenda includes indicators and  
4 benchmarks for measuring progress toward the long-term goals.<sup>16</sup> The goals in the public  
5 agenda are for the *state*, not higher education *per se*, but higher education is one of the most  
6 important means to achieve the goals through:

- 7 • Educating the population to globally competitive levels
- 8 • Developing a globally competitive economy through R & D
- 9 • Contributing to the quality of life of the regions in which institutions are located.

10 As can be seen from the above references, Maine has pieces of a public agenda that can be  
11 compiled from different task forces and reports. One that is relevant to our concerns is the  
12 report Achieving Prosperity for All Maine Citizens, a report of the Governor’s PK-16 Council, a  
13 group of educators and legislators working to integrate education from the pre-school through  
14 college levels.<sup>17</sup> Another is the Maine Compact for Higher Education, a public-private group  
15 dedicated to increasing college enrollments.<sup>18</sup> The University System itself has an internal  
16 document, the Agenda for Action<sup>19</sup> that sets quantifiable goals for student success, research and  
17 development, environmental stewardship, financial sustainability, and higher education that  
18 should, to the extent it is acted upon, contribute to achievement of the kind of public agenda  
19 described above (see Appendix I).

20  
21 It could be said that Maine has a public agenda, but that the pieces are not connected. The  
22 problem with all of these efforts is:

- 23 ▪ Each is “owned” by specific groups; none is owned by everyone;
- 24 ▪ They are not well-known to the public;
- 25 ▪ They are not well-connected to each other;
- 26 ▪ Though most have quantifiable objectives, they are different for each group;
- 27 ▪ None have a clear institutional role in decision-making with regard to policies,  
28 programs, or budgets (including the University System Agenda for Action).

29  
30 A public agenda must be strategic, owned by all parties, and relevant to the real issues of the  
31 State. That doesn’t exist now in Maine. Obviously, the University System cannot create a  
32 public agenda by itself. It needs the active engagement of the Governor, Legislature, Education  
33 Commissioner, Maine Community College System, K-12 educators, the business community, as  
34 well as many other parties. But the University System can provide the leadership to push the  
35 process along.

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<sup>16</sup> See, for instance, Measures of Growth in Focus, 2009, from the Maine Economic Growth Council, on  
[www.mdf.org](http://www.mdf.org)

<sup>17</sup> See [www.maine.gov/education/pk16 task force/achieving prosperity for all maine citizens report.pdf](http://www.maine.gov/education/pk16_task_force/achieving_prosperity_for_all_maine_citizens_report.pdf)

<sup>18</sup> See [www.collegeforme.com/](http://www.collegeforme.com/)

<sup>19</sup> See [www.maine.edu/pdf/AgendaforAction.pdf](http://www.maine.edu/pdf/AgendaforAction.pdf)

1  
2 With regard to the University System itself, when we talk about a “vision” and a “public  
3 agenda,” it is not meant to be a recitation of the internal capabilities of the University of Maine  
4 System, but rather a set of aspirations connected to serving the overall public policies of the  
5 State. It is up to the Board of Trustees and the Chancellor to establish the University System  
6 vision; but from looking at the precedents in other states<sup>20</sup>, the recommendations of the Maine  
7 Compact for Higher Education, and our objective circumstances, we believe a realistic vision for  
8 the System might include:

- 9 (i) increasing the number of Maine graduates so that Maine achieves 51% of its  
10 adult population with a higher education degree by 2019<sup>21</sup> to match the  
11 average of the New England states, as recommended by the Maine Compact  
12 for Higher Education;
- 13 (ii) working with the PK-16 Council to coordinate the goals, curriculum and  
14 resources of the K-12 system, the Maine Community College System, the  
15 Maine Maritime Academy, and the University of Maine System to achieve  
16 the maximum number of higher education graduates;
- 17 (iii) investing in R&D which is likely to lead to increased federal and private  
18 grants for the development of sectors of economic activity which will employ  
19 Maine people in the evolving economy; and
- 20 (iv) establishing that tuition increases are held to a level which is not greater than  
21 a given percentage of the rate of inflation for students at most campuses in  
22 the System.  
23

24 The Chancellor’s Office is the natural institutional home for the System’s vision as to how the  
25 universities can serve the goals of the public agenda. The Chancellor is the liaison between  
26 state government, the public, students and their parents, and the primary administrators in the  
27 University System, the presidents. The Chancellor’s loyalties and responsibilities are to the  
28 whole state.  
29

30 Maine’s higher education goals cannot be met unless the System has a clear vision and goals  
31 that are important to and relevant to the public, and a Chief Executive Officer with authority to  
32 move resources to achieve those goals. Therefore, we recommend:  
33

34 **1. The Board of Trustees must empower the Chancellor to address Public Agenda goals.**

35 The responsibilities of the Chancellor should include:

- 36 A. Providing leadership in shaping and gaining consensus among Maine’s state leaders  
37 (the Legislature and Governor), and business, civic, and educational leaders around a

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<sup>20</sup> See examples of “sharp-edged goals for educational attainment “ adopted by Ohio and Kentucky at [www.deltacostproject.org/resources/pdf/trends\\_in\\_spending-recommendations.pdf](http://www.deltacostproject.org/resources/pdf/trends_in_spending-recommendations.pdf)

<sup>21</sup> *Greater Expectations*, Maine Compact, May 2004, p. 11

1 public agenda for Maine linking higher education, including institutions outside the  
2 system (public and private), to:

- 3 1. Set widely shared goals for educational attainment to meet Maine’s future  
4 knowledge needs and our ability to compete in the global economy;
- 5 2. Contribute to economic growth in every corner of the state; and
- 6 3. Improve the quality of life for Maine residents and visitors.

7 B. Further developing relationships with the Legislature and the Governor, emphasizing  
8 the contributions of the UMS to the goals of the public agenda; and identifying the  
9 resources, methods, and reforms necessary to achieve those goals.

10 C. Identifying the University System’s role in achieving the public agenda.

11 D. Providing leadership for the System:

- 12 a. Integrating the public agenda, university missions, application of System  
13 and campus resources, and performance expectations of senior staff and  
14 presidents, to ensure progress towards achieving the public agenda;
- 15 b. Developing effective, professional, mutually supportive leadership teams in  
16 the offices of the Chancellor and the presidents;
- 17 c. Holding senior system staff and presidents individually accountable for  
18 performance and progress towards achieving the public agenda;
- 19 d. Developing budgets that reflect and incentivize attention to public and  
20 system priorities; and
- 21 e. Reaffirming the finding of the 1986 Visiting Committee report that the role  
22 of the President’s Council is advisory, and not a formal group with legal  
23 standing in which any one president, or group of presidents, could exercise  
24 a veto to create an impasse preventing the Chancellor from adopting policies  
25 to move forward.

26 E. Developing an external advisory mechanism to inform both System- and campus-level  
27 strategic planning and academic program development with regard to knowledge  
28 requirements projected for the future. Advisors might include representatives from the  
29 Maine Departments of Education, Labor, and Economic and Community Development;  
30 trade associations; chambers of commerce and major employers; labor unions; and  
31 economists and demographers, among others. The Task Force is concerned that the  
32 Maine economy is experiencing serious shortfalls in some critical categories, such as

1 nursing, while in other categories, we are producing far more graduates than the  
2 economy can absorb.

3 F. Increasing policy, information gathering, and analytic capacity in the Office of the  
4 Chancellor to support the leadership role of the Board of Trustees and the Chancellor,  
5 and to support the presidents in campus-level strategic planning and management.

6 G. Regularly evaluating and reporting on State and University System performance in  
7 meeting the goals of the public agenda, using externally referenced indicators and  
8 benchmarks of quality and performance.

9 **2. *The Board of Trustees must exercise leadership in redirecting the University System.***

10 The ongoing responsibilities of the Board include:<sup>22</sup>

- 11 ▪ hiring effective executive leadership at the chancellor, vice chancellor and university  
12 president level;
- 13 ▪ adopting a vision and policies consistent with a public agenda;
- 14 ▪ reviewing and approving credible strategic plans for the System and for each  
15 campus;
- 16 ▪ reviewing and approving budgets which embody Maine's priorities, after  
17 determining the necessary tradeoffs and incorporating efficiency and effectiveness  
18 improvements;<sup>23</sup>
- 19 ▪ providing oversight for the performance and accountability of the executive  
20 leadership; and
- 21 ▪ assuring legal compliance and system integrity.

22 The fiduciary duties of boards are commonly understood. We emphasize them here only to  
23 underscore the critical role of the Board in providing leadership by adopting a set of policy  
24 priorities from among the many competing demands on the University System's resources, and  
25 aligning the available financial resources to support the highest priorities, regardless of where  
26 they occur. But a System board, in the words of the Delta Cost project, must "move from  
27 simply balancing the budget to having a long-term investment strategy," and look at such

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<sup>22</sup> See the Charter of the University of Maine, section 102, 4A through D.

<sup>23</sup> *A good place to start might be all universities of the University of Maine System joining UIMFK and UMPI in enrolling in the national university voluntary system of accountability, not as a panacea but to provide consistent comparative data concerning effectiveness over time. See [www.voluntarysystem.org](http://www.voluntarysystem.org) and "Connecting Spending and Results," Wellman, Jane, in AGB Trusteeship, May/June 2009, p. 8 et. seq.*

1 factors as “educational spending in relation to performance (e.g. certificates and degrees  
2 awarded.”<sup>24</sup>

3 **3. *There should be a strong, independent Chancellor with the authority to manage the direction***  
4 ***and resources of the System and its seven universities.*** The Chancellor must function as the  
5 “the chief administrative and education officer of the system” and “provide leadership to  
6 the universities in the System in addressing the State’s highest priority needs,” as required  
7 by the University of Maine System Charter. The Board of Trustees must adhere to the  
8 requirements of the Charter regarding the lines of authority and responsibility between the  
9 Board and the Chancellor, and the Chancellor and the university presidents.

10 **4. *The Office of the Chancellor should be funded by the Board of Trustees*** to reflect its  
11 leadership and governance role for the system and should not depend on the campuses for  
12 funding. Staffing of the Office of the Chancellor should be reviewed and reconfigured, if  
13 necessary, to align with enhanced responsibilities related to shaping the public agenda and  
14 advocacy. In any event, it is critical to have decisive and effective vice chancellors serving  
15 the roles of Chief Financial Officer and Chief Academic Officer, and to employ or contract  
16 for a credible legislative team, legal counsel and institutional research capability. The  
17 Chancellor’s Office should be located in the state capital, Augusta (as authorized in the  
18 University of Maine Charter, section 102 (4A) for the Office of the Chancellor) to provide  
19 visible engagement with state leaders, state agencies and statewide organizations important  
20 to advancing the public agenda.

21

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<sup>24</sup> *Ibid.*, Delta Cost Project

## 1 2. ACT AS A UNION AND NOT A CONFEDERATION

2  
3 As one of our public hearing witnesses, a member of the support staff who works in  
4 maintenance at Machias succinctly put it: "I served on a nuclear submarine. Every man  
5 supported every other man. Every component supported every other component. That was a  
6 system. UMS is NOT a system."

7 Historically, the Chancellor's Office, as well as the presidents, has emphasized the  
8 "entrepreneurial" energy that is produced by decentralization, allowing universities to compete  
9 with each other, encouraging experimentation and new programs. There is a need for balance  
10 in any system between central direction and grass roots energy. In the case of the University of  
11 Maine System, we believe the pendulum has swung too far towards decentralization. The  
12 problem can be illustrated by the existing mission statements for each campus. The Task Force  
13 understands and appreciates that the existing mission statements were generally developed  
14 through an extensive, bottoms-up, consultation process. Through no fault of the participants or  
15 lack of effort, the product does not meet our current needs. The missions are vague and  
16 uncoordinated. According to one former chancellor, the concept of differentiation among the  
17 campuses has "slipped away" over the past forty years.

18 Vague missions grant permission to every campus to try to be everything to everybody. That is  
19 why the System has too many majors and courses. That is why there is duplication. This adds  
20 to the difficulty of transferring credits from one place to another.

21 These problems have endured for decades. With "mission creep," they even get worse over  
22 time. It is time to start on a new, more coordinated approach to making the best use of a scarce  
23 resource.

24 *5. The missions of the universities making up the System must be focused, clarified, and*  
25 *differentiated.* Today the totality of curriculum offerings is the function of what each  
26 campus has the resources to do, with no overall System plan. The State of Maine is not big  
27 enough or wealthy enough to offer as many overlapping majors and programs as it  
28 currently supports. The principle that you can reside on any campus and get a degree in  
29 nearly anything is neither affordable nor does it promote quality. This is the single most  
30 significant area in which savings can be realized to fund the priorities of public policy and  
31 to balance the System budget. Currently there is a competition in which the campuses are  
32 stealing market share from each other, because the total number of consumers does not  
33 produce the revenue requirements to sustain quality programs in every subject everywhere.  
34 The University of Maine System must reduce its duplication of academic programs, and  
35 consolidate or eliminate those which require more resources than their output of graduates

1 justifies. It must optimize its limited resources through distance learning and other means  
2 that can enhance quality, choice, and performance.

3 *The Chancellor and Board, with due consultation with the presidents, should promptly*  
4 *develop and adopt “Role and Scope” statements that can serve as the basis for realistic*  
5 *mission statements, strategic plans, and performance measurements;* and that are  
6 consistent with available resources. The Chief Academic Officer should be mandated to  
7 develop specific goals, concrete savings targets, and firm timetables for achieving this  
8 objective. Such statements should encourage differentiation and collaboration—and  
9 reduce duplication—in academic program delivery among all campuses. Such statements  
10 should specify:

- 11 A. Audiences served by each campus: geography, academic preparation, age/full-time-  
12 part-time status (recent high school graduates, returning adults, etc.), employers,  
13 etc.;
- 14 B. The specific array of programs and services to be offered: level of program,  
15 academic fields;
- 16 C. The distinctive mission: e.g., land grant mission, regional engagement/service,  
17 liberal arts, professional service;
- 18 D. Signature programs that a university campus can develop that are unique to the  
19 System, meet a customer demand, and further the public agenda;
- 20 E. Collaborative relationships: e.g., serving as provider/receiver sites or education  
21 centers for a region;
- 22 F. Distance-learning relationships among UMS institutions and other system  
23 institutions, identifying roles serving as a “provider” of courses and programs to  
24 some campuses and/or serving as a “receiver” site for others;
- 25 G. Indicators of quality and performance using externally referenced indicators and  
26 benchmarks.

27 Examples of roles and possible objectives of each university are provided in Appendix II.

28  
29 **6. *The Chancellor, working with the presidents, should ensure seamless student transfer***  
30 ***between and among all University of Maine System campuses.*** A fair, consistent, and  
31 transparent course credit transfer policy is important to achieving the goals of encouraging  
32 the transfer of associate degree matriculants from the Maine Community College System to  
33 the University of Maine System campuses, and facilitating intercampus transfers among

1 University of Maine System students.<sup>25</sup> Our objective should be to help students attain the  
2 highest possible level of university education that is worthwhile for them. To that end, the  
3 Chancellor should exercise leadership by:

- 4 A. Promptly implementing current System transfer and articulation policies and  
5 procedures. The System should provide for guaranteed transferability to all UMS  
6 campuses for a student successfully completing a general associate’s degree from any  
7 Community College or University of Maine System campus. Success in the next  
8 program cannot be guaranteed, but acceptance of the prior credits ought to be.
- 9 B. Initiating a statewide communications campaign to inform students about current  
10 resources, including the web-based services available on the UMS website  
11 ([www.maine.edu/prospective/transfer-services.php](http://www.maine.edu/prospective/transfer-services.php))
- 12 C. Charging the presidents to develop a strategy for enhancing the services of student  
13 advisors and other campus-level personnel in assisting students with transfer planning.
- 14 D. Providing a web-based guide for students to plan their academic program making full  
15 use of academic offerings from all UMS campuses;
- 16 E. Synchronizing student and financial accounting policies and procedures for students  
17 taking courses from multiple UMS campuses, including the simple provision that each  
18 campus follow a common calendar for the convenience and accessibility of the vast  
19 majority of students.

20 7. *The Chancellor and Board should transform distance education into a core component of the*  
21 *University of Maine System’s overall strategy to ensure affordable access.* This will at once  
22 help to address the need for affordable access for Maine students, the need of the University  
23 System to increase revenue, and the breadth and diversity of the student experience. It  
24 includes such steps as:

- 25 A. Establishing a clear System-wide responsibility for leading, managing, and expanding  
26 the distance education network. As indicated in the recommended role and scope for  
27 the University of Maine at Augusta (see Appendix II), this leadership is currently the  
28 responsibility of the President of this university. The Chancellor and Board may wish to  
29 continue UMA in that coordinating role because, having relatively few academic  
30 offerings of its own, it is in a better position to act as a relatively neutral “traffic cop” in  
31 matching up offerings and needs. A second alternative is to lodge the System-wide  
32 responsibility with one of the big content provider campuses. A third is to assign the  
33 responsibility to the Chief Academic Officer. Whatever way is chosen, the important

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<sup>25</sup> It is so important, in fact, that the Legislature mandated that the Trustees implement a plan to achieve this by the fall semester of 1985. See 20-A MRSA §10907.

1 thing is to have someone in charge of the overall program, replacing the seemingly  
2 random course offerings, which lead to few, if any, opportunities to actually major and  
3 matriculate through a distance education program in our current system. We  
4 understand that the University College, under the leadership of Task Force member  
5 and UMA President Allyson Hughes Handley, has developed a draft Vision for Online  
6 and Technology Enhanced Teaching and Learning within the University of Maine  
7 System that makes a series of recommendations for strengthening distance education.

8 B. Creating financial incentives for campuses to make optimal use of distance learning.  
9 For example, the tuition-utilization formula should:

10 a. Establish “provider/receive-site” funding for the Universities at Fort Kent, Machias,  
11 Presque Isle, and University College Centers, to enhance their capacity to offer and  
12 purchase courses and programs (on a cohort basis as necessary) to meet the needs  
13 of students in their regions. Receive-site funding could be used for on-campus  
14 academic and student support services. The conditions for an agreement between  
15 a receive-site and the provider campus would include provisions governing  
16 sharing of tuition and fee revenue, as well as terms and conditions for delivery of  
17 programs (e.g., making sure that a provider does not abandon students mid-way  
18 through a program).

19 b. Provide incentives, technical assistance, and professional development for all  
20 campuses to serve as providers of distance learning programs in their specific areas  
21 of programmatic competence.

22 C. Utilizing existing campuses, University College Centers, Community College  
23 campuses, public schools, and other existing community facilities to the maximum  
24 extent feasible. Authorize new facilities only if funded by non-System sources (federal  
25 or private funding, local funding, etc.), and/or clearly justified by cost/benefit analysis  
26 related to the public agenda.

27 8. *The Chancellor and presidents should undertake a “course-redesign” initiative led by faculty*  
28 *teams drawn from throughout the System for selected courses delivered on multiple*  
29 *campuses. The goal should be to deliver these courses at a higher level of quality with a*  
30 *more effective use of faculty time and other resources. The effort should be based upon the*  
31 *proven models and technical assistance from nationally recognized sources. A significant*  
32 *indirect impact of this initiative could be increased faculty collaboration in specific*  
33 *disciplines across UMS campuses. Examples include:*

- 34 ▪ The more frequently taught 100- and 200-level core general education courses;
- 35 ▪ “World language” courses;

- 1           ▪ Selected Science, Technology, Engineering and Mathematics (STEM) courses for  
2           which faculty expertise is limited on smaller campuses;
- 3           ▪ Best practice in developmental/remedial education.
- 4 9. *The Chancellor should direct the presidents to utilize the analysis of lower-degree-producing*  
5 *programs by institution, as identified in the Arena #2 report (on Academic Programs and*  
6 *Services) to justify, eliminate, revise, or consolidate programs.* The Chancellor should  
7 provide incentives for institutions to discontinue low degree-producing programs and  
8 reallocate faculty lines and other resources to other higher priority programs consistent with  
9 the public agenda.
- 10 10. *The Chancellor should encourage and support substantially increased collaboration between*  
11 *University of Maine System campuses and the Maine Community College System, and*  
12 *direct System presidents to work with their counterparts to provide seamless articulation*  
13 *and transfer for students, and optimize the utilization of resources within every region.* The  
14 Chancellor should reach out in a spirit of mutual respect and recognition of the vital role  
15 MCCS plays in higher education to look for opportunities to reduce overlap, optimize the  
16 use of our respective resources, facilitate the transfer of students, and look for economies of  
17 scale. Where appropriate, regional pilot programs should be used to develop and test new  
18 joint efforts that could later be extended statewide. Examples, building on initiatives  
19 currently in place or previously attempted, include:
- 20           A. Dual enrollment or concurrent enrollment, through which students can earn credit  
21           at both institutions simultaneously;
- 22           B. Joint planning of new associate degree programs at UMS to ensure that they  
23           complement and to not unnecessarily duplicate MCCS courses and programs;
- 24           C. Dual admission, through which students admitted to a MCCS campus can also be  
25           admitted to a UMS institution, with a seamless plan to move from one institution to  
26           another to earn a baccalaureate degree;
- 27           D. Provision of UMS courses and programs on site at a MCCS campus through which  
28           place-bound students can move seamlessly from one institution to another;
- 29           E. Shared facilities and shared support services among System campuses and center  
30           and Community College campuses and centers;
- 31           F. Provision for UMS students to take courses at MCCS campuses (or to “reverse  
32           transfer” to gain specific employment skills after obtaining a baccalaureate degree at  
33           a UMS institution).
- 34

### 3. RESTRUCTURE SYSTEM-WIDE SERVICES

During the public hearings and through the correspondence we received on our website, a number of concerns surrounding the implementation of joint computer software (PeopleSoft) were brought to our attention. Additionally, concerns were raised about the initial responsiveness of the Shared Processing Center and the general size and purpose of System-wide Services. Some suggested these services could be performed more efficiently on their own campuses or on a regional basis. While others, particularly on the smaller campuses, expressed gratitude for the help of services like facilities management and legal services for performing work and providing expertise they could not otherwise afford on their own.

It is difficult to assess or quantify the concerns in the absence of objective data, but it does appear that new leadership and tighter budgets are having a positive impact on the performance of System-wide Services (SWS). We believe that, again, Maine is too small to fragment services where natural economies of scale exist, and further, that many of our problems have come about as a result of various campuses refusing to adopt common procedures. We therefore believe that our best course is not to break up the SWS, or to throw away the gains we have made in the last year, but to institutionalize the reforms that will build on this work and point SWS in the direction of further economies of scale and service responsiveness improvements, as follows:

11. *A formal Advisory Council should be created to ensure the campus voice is included in decision-making.* The Advisory Council should consist of the Vice Chancellor for Finance and Administration and the presidents of the seven universities, or their designees. The Advisory Council should foster a culture of cooperation and coordination to ensure satisfactory services are delivered at least cost to reflect campus concerns with both the quality and cost of System-wide Services.
12. *SWS should continue to report to the Vice Chancellor for Finance and Administration, under the direction of the Chancellor, within the following policy framework:*
  - A. The Chancellor should require campuses to use shared services only where economies of scale can be realized or where student services can be measurably improved.
  - B. Where practical, SWS should offer a menu of shared services for campuses to choose from at their discretion, understanding that existing shared services may be difficult to disaggregate without imposing additional costs on some campuses.
  - C. Campuses are encouraged to pilot new models of service delivery by purchasing services from other campuses or from other public/nonprofit partners and by outsourcing services to the private sector as appropriate. However, the Vice Chancellor for Finance and Administration should set the policies and parameters for such

1 relationships and that office should serve as the repository of information and data  
2 relating to the nature, cost, and performance of such alternative delivery methods.

3 D. Campus customers of SWS shared services should be surveyed annually regarding  
4 their satisfaction with the services.

5 E. Service Level Agreements should be developed between SWS and each campus for the  
6 shared services provided and should include appropriate, quantifiable performance  
7 measures, which should constitute a material part of the performance reviews of SWS  
8 executives.

9 F. Annual reviews of shared services against the performance measures should be  
10 conducted by the Advisory Council, with consideration given to the campus customer  
11 survey.

12 **13. SWS should separate those duties that serve the governance responsibility of the Board of**  
13 **Trustees and the Chancellor to provide oversight and ensure accountability from those**  
14 **services that could be performed on a campus but are shared at the System level to reduce**  
15 **costs. Services related to governance, oversight, and accountability should be funded**  
16 **through appropriations.**

17 **14. The Vice Chancellor for Finance and Administration, with the support of the**  
18 **Advisory Council, should adopt a program of continuous improvement to look for**  
19 **further economies in areas such as printing, fleet management, travel management,**  
20 **construction bidding procedures, facilities and capital management system-wide (as**  
21 **discussed in the Arena 1 report) . In addition to reviewing cost efficiencies for**  
22 **purchased services, the Vice Chancellor for Finance and Administration must**  
23 **constantly review other categories of expenses for reasonableness compared to peers**  
24 **and to the overall UMS budget. While it is a positive that NCHEMS has found that**  
25 **our universities incur administrative overhead costs within the bounds of their peer**  
26 **groups, that is no reason for complacency. The System should continue to be**  
27 **concerned with keeping the overall cost of a college education affordable for Maine**  
28 **people.**

29  
30 **15. The Task Force recommends that the principal SWS office continue its location in Bangor**  
31 **for reasons of workforce stability, efficiency, and cost avoidance.**

32

#### 4. USE FINANCIAL POLICY TO REALIZE SYSTEM GOALS

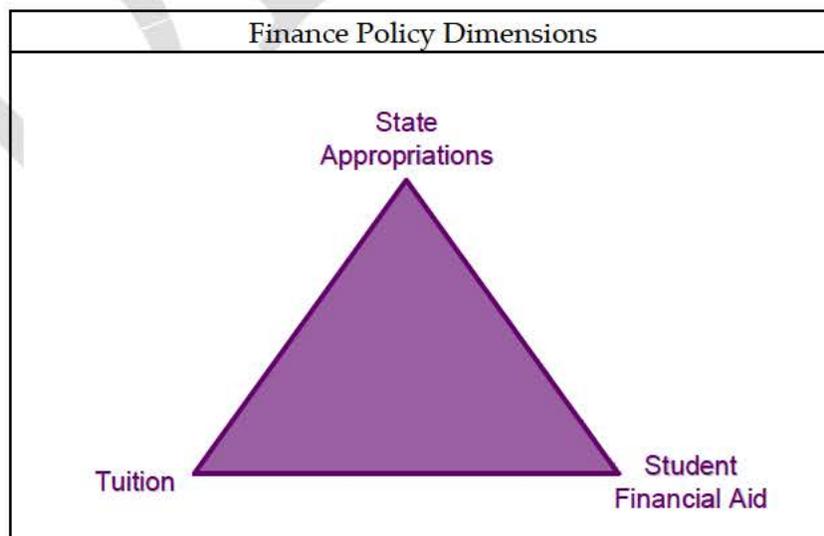
So far in this report, we have discussed the “usual suspects” with regard to making the University System more efficient in meeting its public purpose: distance education, joint provision of administrative services, less duplication of majors, a sharper focus in distinct campus missions. There is another tool in the toolbox, however, that is of great importance, and that is financial policies.

How the System prices its offerings to in- and out-of-state students, residential and commuter students, undergraduate and graduate students, has a great impact on what students attend the University System, where they go, and how long they stay. In a similar vein, how the System divides the State appropriation among campuses, and how the individual campuses use the funds to keep tuition down, promote research, and provide student aid, all affect the efficiency of the System in meeting its public goals.

Financing an education at a UMS campus relies on 3 principal elements:

- (i) state appropriations from State tax dollars;
- (ii) tuition and fee income and income from student services (e.g., residence and dining halls); and
- (iii) financial aid, which is derived from a combination of i and ii, as well as some private philanthropy.

A key to effective System finance policy is the alignment of policy decisions for the three areas of state appropriations, tuition and fees, and student financial aid, not only with each other but also with the goals of the System.



1  
2 While other sources of revenue such as private philanthropy, earnings from endowment, and  
3 public and private grants and contracts contribute to the UMS revenue, 96% of the general  
4 operating revenue comes from either state appropriations (36%) or student tuition and fees, and  
5 fees for student services.  
6

7 In the past, the UMS Board of Trustees has not taken such a strategic approach to finance policy.  
8 Instead, it has taken a laissez-faire, incremental approach by having each campus develop its  
9 separate budget within the constraints of available state appropriations with only limited Board  
10 of Trustees guidance. Board action on the budget is made with no explicit reference to a long-  
11 term public agenda for Maine, or System priorities.  
12

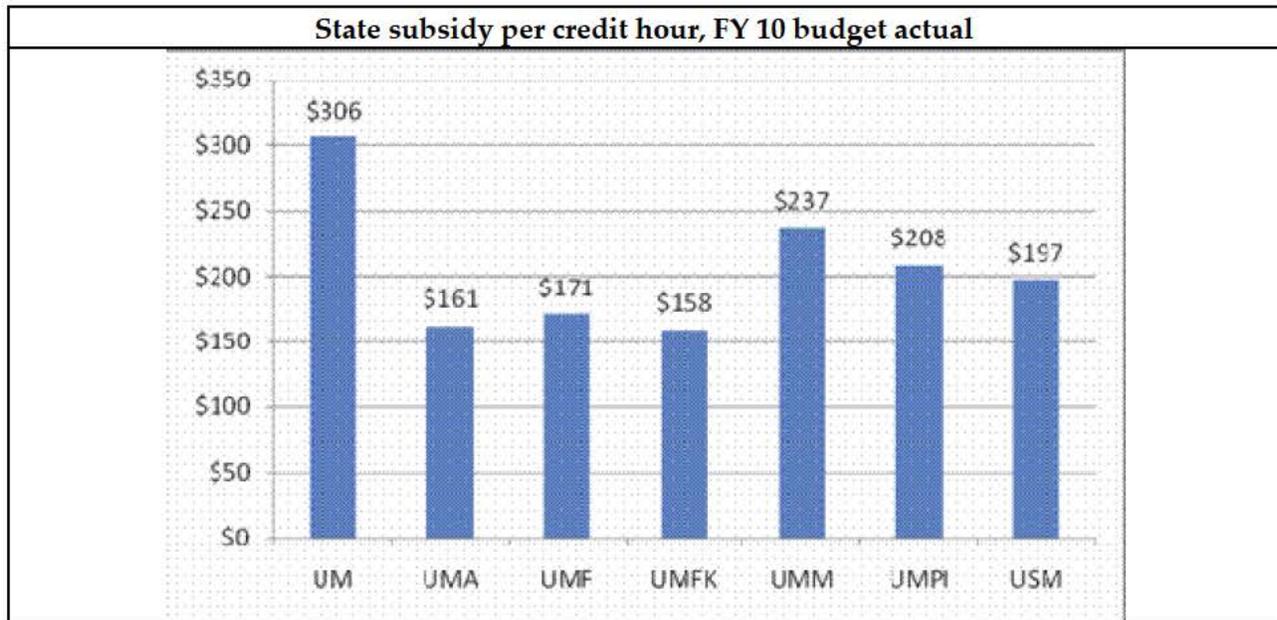
13 We will discuss each of the three financial dimensions in turn. The first source of money is  
14 taxpayer funds. This contribution comes from the General Fund appropriations made by the  
15 Legislature. Currently, this amounts to some \$179 million (FY 10), which is down from \$186  
16 million for FY08, the result in part of recession-induced cutbacks. But more long term, there has  
17 been a consistent trend downwards. In 1967/68, year of the creation of the UMS, the percentage  
18 was 15.2%. By 1988/89, that percentage had slipped to 9.0%. In 2008/9 it was 6.5%.<sup>26</sup>  
19

20 Amazingly, the formula for distributing this appropriation has remained virtually frozen  
21 throughout the 40 years of the System's existence, notwithstanding changes in enrollment,  
22 technology, and business and professional needs, among other considerations, over the course  
23 of time. The formula is simply historic, unchanged by priorities, performance or public policies.  
24 Such a relic has yielded incongruous results. From highest to lowest, the amount of State help  
25 from taxpayers the average student on one campus receives is almost double that of a student  
26 on another (see chart on next page). Need and access are not factors in this formulation. Nor is  
27 encouraging students to attend the most economic or appropriate campus for each. Nor does  
28 such an iron-bound calculation permit the addressing in a systemic way of emerging priorities,  
29 such as Maine's urgent need for more health care professionals (i.e., nurses).  
30

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<sup>26</sup> UMS, State General Fund Support for Maine Education, 2008/2009 (from UMS website).

1



2

3 Second, there is tuition. Responsibility for setting tuition levels has been left to the campuses.  
4 FY10 was one of the few times in recent years that the Board of Trustees established specific  
5 limitations on increases in tuition revenue. The campuses have used tuition increases as a stop-  
6 gap measure for years, and as other demands on the General Fund have grown, especially K-12  
7 and Medicaid funding, the University System has been squeezed hard. University  
8 administrators have responded by looking to increasingly large tuition increases for in-state,  
9 undergraduate students to make up the difference, resulting in a 8.3% increase in 2006, 8.7% in  
10 2007, 10.0% in 2008, and 10.3% in 2009, all rates considerably higher than the prevailing rate of  
11 inflation.

12

13 Not only is such a strategy contrary to the goal of providing the opportunity for an affordable  
14 higher education in Maine to people with ordinary means, it is ultimately self-defeating, as the  
15 Legislature naturally will be inclined to favor other priorities, if it thinks the resulting revenue  
16 loss to the System can be made up from consumers. This trajectory has had the unfortunate  
17 result that Maine people, with the 11<sup>th</sup> lowest average income in the nation, have to pay on  
18 average the 13<sup>th</sup> highest tuition compared to income.<sup>27</sup>

19

20 The University System needs to adopt a new model for tuition policy, which recognizes that  
21 pricing heavily influences who can afford to attend, the burden on families, and patterns of  
22 attendance. Thus:

23

- to encourage a public policy of increasing higher education participation, it may be wise to reduce tuition in the freshman and sophomore years;

24

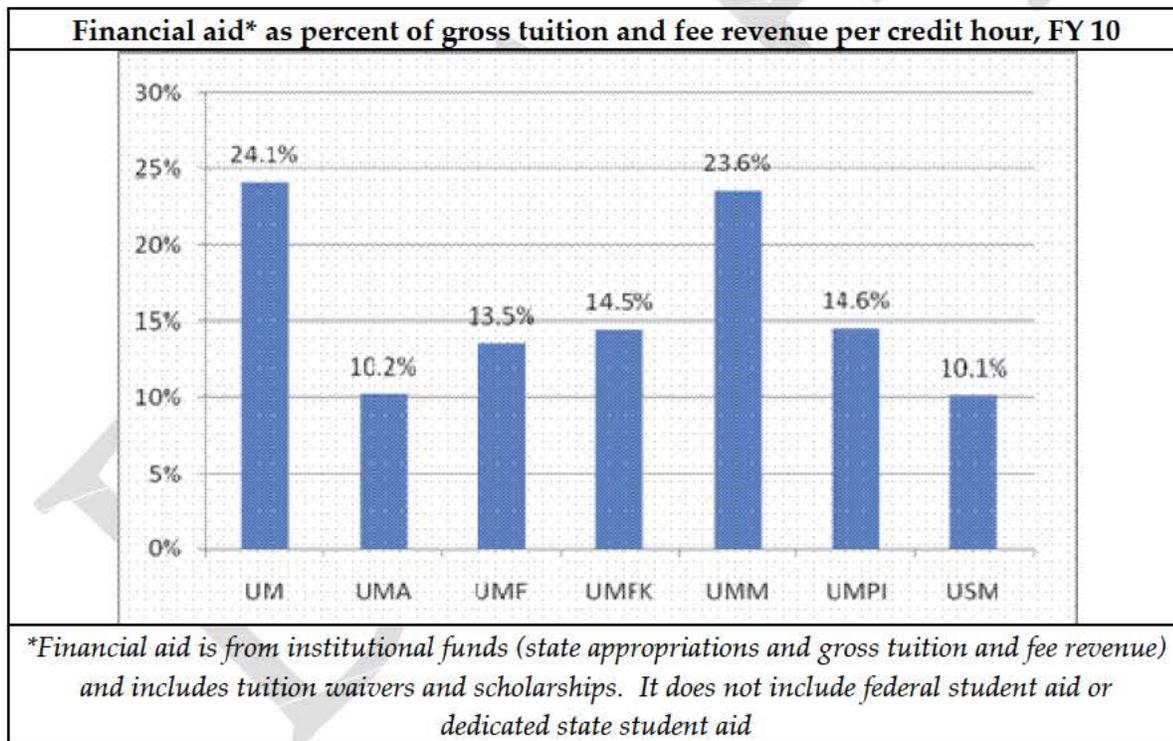
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<sup>27</sup> "Measures of Growth in Focus 2008" Maine Economic Growth Council, p. 5; Postsecondary Education Opportunity #188, Feb. 2008

- to encourage efficient use of facilities, it may be wise to price the different campuses at rates that reflect the value of what they are able to offer; and
- to optimize utilization, and encourage new perspectives in the student body, re-price out-of-state and foreign student rates.

These strategies should not be adopted blindly, but after commissioning and considering System-wide price elasticity studies on a regular basis, as the Maine Community College System already does;<sup>28</sup> securing the assistance of enrollment management professionals; and after assessing the appropriate differentiation among the campuses in the market.

Third, financial aid policy also contributes to the overall model. Such funding comes from the federal government and a combination of a share of the General Fund appropriation, redistribution of some of the proceeds of tuition, and generous private philanthropy. The University System has left it to each campus to make decisions about the percentage of its general revenue (from state appropriations and tuition and fees) to be allocated to financial aid. The amount of financial aid varies dramatically from campus to campus (see figure below).

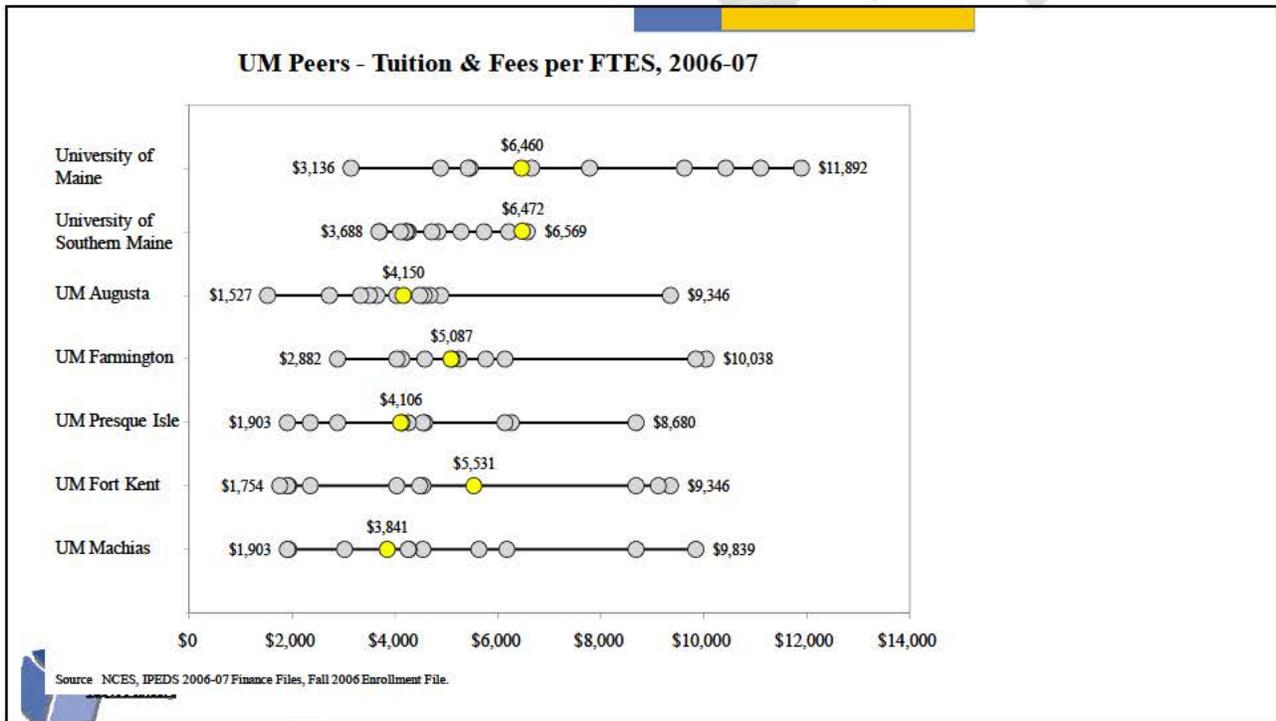


What is happening is that each institution is using financial aid funded from its own resources to discount “advertised” prices to attract students—often from other System campuses. For example, the tuition and fee level at the University of Maine (UMaine) is significantly higher

<sup>28</sup> “Maine Community College Students’ Ability to Pay Study,” The Center for Applied Research, Central Piedmont Community College, August 2008.

1 than that at the University of Southern Maine (USM), but the net tuition and fee revenue per  
2 FTE is actually higher at USM.

3  
4 The University of Maine System provides information in the annual budget document  
5 comparing tuition levels for each of its institutions with public institutions in New England, and  
6 with per capita income in each of these states. The analysis shows, for example, that the in-state  
7 undergraduate tuition and mandatory fees at the University of Maine, which are 28% of  
8 Maine’s per capita income, are high compared to all but New Hampshire and Vermont. But  
9 this analysis is based on “sticker price” tuition and fees. When tuition waivers and discounts  
10 are taken into consideration, the actual amounts that students pay in relationship to per capita  
11 income in Maine is far more in line with other New England states. The most significant point  
12 is that there is no System-wide strategic plan to ensure that the students with the greatest need  
13 receive priority—it all depends on what campus the student attends. Studies have shown that  
14 Maine students, especially low-income students are especially sensitive to “sticker price” when  
15 deciding whether and where to go to college. With significant behind-the-scenes discounting,  
16 the real cost of going to college in Maine is far less transparent than it needs to be.  
17



18  
19

1

Sources and Amounts of Student Aid by Campus, AY 2008 (IPEDS)					
		Federal grant aid	State/local grant aid	Institutional grant aid	Loan
UM	Percent Receiving Aid	39%	35%	73%	67%
	Average Received	\$3,129	\$1,327	\$4,910	\$6,500
UMA	Percent Receiving Aid	52%	53%	26%	52%
	Average Received	\$3,743	\$1,023	\$1,471	\$3,743
UMF	Percent Receiving Aid	39%	47%	39%	78%
	Average Received	\$4,270	\$1,117	\$2,567	\$5,915
UMFK	Percent Receiving Aid	46%	48%	83%	64%
	Average Received	\$3,488	\$1,144	\$1,572	\$3,731
UMM	Percent Receiving Aid	53%	44%	74%	69%
	Average Received	\$4,610	\$1,078	\$2,909	\$5,933
UMPI	Percent Receiving Aid	70%	58%	60%	60%
	Average Received	\$3,659	\$1,207	\$1,866	\$3,211
USM	Percent Receiving Aid	45%	41%	29%	73%
	Average Received	\$3,117	\$1,300	\$1,842	\$5,845

2

3 Some schools get more federal aid—which is a reflection of lower family incomes among the  
4 students. Some use State appropriation and other institutional sources to provide aid. The net  
5 impact of these different campus strategies on the affordability of public university education to  
6 students of different incomes in different parts of the state is unknown.

7

8 While there was a consultant study conducted several years ago for the Board of Trustees that  
9 recommended aid policies for the various universities of the System, it did not include an  
10 analysis of the impact of the financial aid packages offered by the various campuses on  
11 enrollment decisions, nor on dropout decisions. It is reasonable to surmise, however, that  
12 differentiating financial aid packages so as to encourage initial enrollment at underutilized  
13 campuses, excellent academic performance, or majoring in disciplines where Maine is  
14 experiencing a shortage of knowledge workers could serve the interests of public higher  
15 education and the public agenda.

16

17 In the past, tuition decisions have been made largely around the issue of how to cover the  
18 difference between state revenues and operating costs. We propose a more strategic use of  
19 financial policy.

20

1  
2 **16. The Chancellor should develop and recommend to the Board of Trustees a revised UMS**  
3 **financing model.**

4 The model should be:

- 5     ▪ *Comprehensive* – dealing with all components of financing higher education, from state  
6     funding to tuition to financial aid policies;
- 7     ▪ *Clear* – making explicit the policy goals related to the financing decisions;
- 8     ▪ *Responsive* – to the changing fiscal circumstances of state government and families;
- 9     ▪ *Fair* – all parties (students, institutions and the state) ought reasonably to believe that  
10     they are getting (and giving) their fair share, given their mission responsibilities; and
- 11     ▪ *Transparent* – the funding flows must be discernible to both internal and external  
12     observers.

13 The institutional component of the finance model should have two distinct parts (see Appendix  
14 III for one scenario for developing the base-funding component):

- 15     ▪ Base funding required to build and maintain institutional capacity in a  
16     manner consistent with their missions.
- 17     ▪ Capacity utilization: funding that creates incentives for institutions to  
18     address state priorities as reflected in the public agenda. Incentive funding  
19     can take several forms. For example:
  - 20         (1) incentives to improve mission focus and improvements in student  
21         retention and institutional quality;
  - 22         (2) incentives for institutions (such as UMaine) to increase federal  
23         competitive research funds;
  - 24         (3) incentives to encourage response to the state’s workforce needs in  
25         STEM and other critical fields; or
  - 26         (4) incentives to implement accelerated degree programs and other  
27         strategies to increase degree production.

28 The base funding component should adhere to these principles:

- 29     1. *Adequacy* – provide sufficient revenues—primarily from students and the  
30     state—to allow the campuses to fulfill their assigned responsibilities at high  
31     levels of quality, and at a level consistent with peer groups.

- 1           2. *Equity* – treat all campuses fairly – not equally, but the same relative to their  
2           different needs. If there are too few resources to meet all requirements, spread  
3           the shortfall so as to preserve viable programs, academic quality, and  
4           reasonable access.
- 5           3. *Stability* of funding. Ensure that the funding mechanisms yield results that  
6           are fairly predictable from year to year and are free from large variations  
7           (especially on the downside).

8   The capacity utilization fund should be systematically built up over the years, necessarily  
9   starting small in the current fiscal climate. The fund should be used to help campuses  
10   undertake special programs to achieve the public agenda (see examples above). A transparent  
11   methodology, set of criteria, and distribution procedure for this should be developed by the  
12   Board and Chancellor. We are aware, of course, that there will be great pressure to leave the  
13   matter as is until a return to prosperity. But from our point of view we cannot start this  
14   prioritization soon enough. It is especially important, when funds are tight, to focus resources  
15   on the end result. For example, our universities’ nursing programs have waiting lists, while at  
16   the same time the State has a shortfall of nursing and other healthcare professionals.

17   The tuition and fee component of the finance model should both provide necessary revenue and  
18   promote access and completion. Prices should be set in light of the goals of affordability and  
19   increasing completion rates; and the practices of competitors (public and private, in-state and  
20   out). An example of one possible strategy to promote access and retention would be to reduce  
21   lower-division tuition at some institutions and fill the gap with increased state appropriations  
22   or increased tuition levels for upper-division students.

23   The student aid component of the finance model should be designed to ensure affordability and  
24   affect student behavior (i.e., allow them to focus on academic success rather than meeting work  
25   obligations). The student aid model should:

- 26           ▪ Be applied System-wide, not campus by campus,
- 27           ▪ Take full advantage of federal grants and tax credits,
- 28           ▪ Limit student work and borrowing obligations to tolerable levels, and
- 29           ▪ Use State funds as a “last dollar in,” after the contributions of students, families, and  
30           the federal government.

31   **17. The Board, Chancellor, and presidents should pursue aggressive revenue enhancement**  
32    **strategies.** We believe the System needs to reallocate and reduce its budgets in light of the  
33    public agenda and current fiscal pressures. But it is axiomatic that no organization can cut  
34    its way to long-term success. The Board and Chancellor should set targets for student

1 recruitment at the different university campuses, and utilize success in meeting those  
2 targets as a factor in performance reviews. Recruitment activities could include:

- 3 a. Attracting some of the 40% of Maine high school graduates who do not go on  
4 to any form of higher education. It has been estimated that if Maine reached  
5 the rate of high school graduate attendance in higher education as the best-  
6 performing states, Maine could have an additional 14,000 graduates by 2025.<sup>29</sup>
- 7 b. Encouraging more Maine Community College System students to go on for  
8 four-year degrees in University of Maine System schools.
- 9 c. Providing relevant education in consumer convenient ways to adult learners –  
10 both those who are moving from one career to another, and those who simply  
11 want to pursue intellectual growth.
- 12 d. Encouraging University of Maine System employees to take courses to improve  
13 their skills and opportunities.
- 14 e. Attracting out-of-state, immigrant, and foreign students who will enrich the  
15 experience of Maine students, contribute to the annual revenues, and  
16 potentially permanently relocate in Maine and benefit our economy.

17 We need to be clear about this. New students alone will not cover the revenue gap the  
18 University System faces. This is not an alternative to doing the hard steps described earlier. It  
19 is an addition.

20 In a similar vein, we should be troubled that less than half of University of Maine System  
21 students actually graduate within six years of initial enrollment. We recognize, as our expert  
22 witness Robert Zemsky, has written, that most students are “less certain about what their future  
23 holds, and about their graduation from the institution in which they initially enrolled, and less  
24 willing to cut their social ties to their home communities.”<sup>30</sup> Nonetheless, it should be a  
25 performance priority to give less committed students more individual attention and more  
26 relevant courses for their likely career needs.<sup>31</sup> The System should reward campuses for  
27 investments and reforms to improve retention rates.<sup>32</sup>

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<sup>29</sup> NCHEMS estimate, Power Point presentation, 5/20/09.

<sup>30</sup> Zemsky et al, Remaking the American University, p. 43

<sup>31</sup> Attention to retention is becoming a national priority. For example, the Lumina Foundation “Making Opportunity Affordable” holds as a goal: *1. Increase and reward completion. States should begin setting aside significant portions of their higher education budgets to reward institutions for students who complete courses and graduate in greater numbers at lower per unit expense.* See

[www.luminafoundation.org/our\\_work/our\\_initiatives/Making\\_Opportunity\\_Affordable](http://www.luminafoundation.org/our_work/our_initiatives/Making_Opportunity_Affordable).

<sup>32</sup> Wellman (supra page 12), suggested re retention that boards of trustees should ask, “What steps is the institution taking to increase the graduation rate for all students? Where are the leaks in the pipeline, and

1 Additionally, marketing success depends in part on differentiation from competitors. The  
2 University of Maine System should evaluate opportunities for offering attractive alternatives to  
3 other public institutions in New England who are our principal competitors. One such  
4 possibility may be offering an *option to graduate in 3 years*. This can appeal to people with  
5 prior experience who are seeking a career change, or those who have the time and financial  
6 means to attend year-round. This is a particular opportunity for the *signature* programs that  
7 our universities are developing. One example of how a system can encourage retention and  
8 completion is the University of Maryland System, which generally limits requirements for a  
9 bachelor's degree to 120 credit hours while requiring students to earn 12 credit hours off  
10 campus through advance placement, distance learning or study abroad. The Vice Chancellor  
11 for Academic Affairs should investigate like opportunities.<sup>33</sup>

12 Another may be to differentiate ourselves as the "low price leader" offering great value for the  
13 price compared to other colleges in New England, an area where we are already relatively well-  
14 positioned—for while our tuition is too high for full access at this point, our overall costs for a  
15 baccalaureate education rank favorably in New England.

16 While none of this is easy, we should bear in mind that we are losing full-time equivalent  
17 students, and the percentage of our population with any kind of higher education is declining.  
18 For every 1,000 additional full-time equivalent students we are able to recruit and retain, we  
19 would realize, every year of their attendance, incremental revenue on the order of \$6 million.

20 Finally, we urge the State and the University System both to utilize their professional economic  
21 and demographic expertise to evaluate the substantial and growing de facto appropriation for  
22 higher education represented by the Opportunity Maine initiative,<sup>34</sup> to see if these funds are  
23 serving their intended purpose and the extent to which, if any, such funds could be more  
24 efficiently directed prospectively to financial aid for students and adult learners in the process  
25 of securing a higher education in Maine.

26

27 ***18. The Chancellor should continue the current initiative to address deferred maintenance and***  
28 ***rationalize capital investments. System policies should:***

---

how are these being addressed through counseling, tutoring, or other interventions? Do these interventions have the resources they need to be most effective?"

<sup>33</sup> *Ibid.*, Delta Cost Project

<sup>34</sup> The Opportunity Maine Program provides a state income tax credit for student loan payments made by degree earners who live, work and pay taxes in Maine following graduation. Alternatively, the tax credit would be available to Maine businesses that make their employees' educational loan payments. See <http://opportunitymaine.org/>.

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- 1) Ensure institutions expense depreciation. Require each institution to invest 1½ to 2% of the replacement value of its plant in capital renewal every year. The UMS institutions are currently attempting to accomplish this but their capacity to do so varies significantly. This won't deal with the deferred maintenance problem, but it will keep it from getting worse. This should apply to all facilities, not just those built with State funds.
- 2) Develop a 10- to15-year plan to address deferred maintenance and improve the Facility Condition Index to a level at which it can be maintained.
- 3) Give preference to projects that remove deferred maintenance over those that build new facilities. Avoid building new facilities with state funds, unless justified by a cost-benefit analysis related to the public agenda.

## 1 5. START NOW

2  
3 The University of Maine System is facing a structural deficit on the order of 10% of its annual  
4 operating budget within four years if it fails to act now. It is also confronted by the realities of  
5 declining demographics, overcapacity, and inadequate management and planning practices  
6 that undermine optimization of our limited resources.

7  
8 **19. *The Board of Trustees should charge the Chancellor with responsibility to develop a step-***  
9 ***by-step Action Plan to realign the resources of UMS by FY15 to achieve the goals of a***  
10 ***public agenda*** within the severe constraints dictated by condition of Maine's economy and  
11 the financing challenges facing Maine's student and families.

12 A. The Board of Trustees should establish 2015 as the target year for full implementation of  
13 a financing plan realigning the core assets of the UMS to improved quality and  
14 performance but within the severe fiscal constraints of (1) the projected availability of  
15 State General Fund Appropriations, (2) the end of the availability of ARRA (stimulus)  
16 funding after 2011, and (3) the need to keep tuition and fees at a level affordable to  
17 Maine students and families, and at a stable and competitive level. Beginning in FY10  
18 and for each year thereafter, the University of Maine System must designate priorities  
19 and make measurable progress toward the 2015 goals and operate within the  
20 constraints of anticipated revenue.

21 B. The Board of Trustees and Chancellor should make a strong case to the Governor and  
22 Legislature for increasing the share of State General Fund Support based explicitly on  
23 the contributions of the System to the state's long-term public agenda.

24 **20. *The Chancellor should continuously assess the viability of campuses and act strategically***  
25 ***to institute alternative, more cost-effective modes of delivery as necessary to maintain***  
26 ***essential services to students and regions.*** The Chancellor must hold presidents accountable  
27 for management of their campuses within established budgets and for fiscal responsibility  
28 in light of the system's long-term financial constraints, and for implementing the  
29 recommendations included in this report.

30 **21. *The Chancellor should direct each president to develop a five-year plan for each respective***  
31 ***UMS university to achieve a step-by-step realignment of mission in relationship to the***  
32 ***revised Role and Scope statements and projected revenue from state appropriations and***  
33 ***tuition by the end of FY11.*** These plans should include:

34 A. Specific goals and performance metrics relevant to the campus's mission and linked to  
35 the public agenda and unique institutional mission.

- 1 B. A commitment of each of the universities in the System to increase the overall  
2 performance in relationship to available funding (state appropriations and tuition and  
3 fees) to the best performance of the institution's peers.
- 4 C. Expectations, linked to presidential performance evaluation and compensation,  
5 regarding collaboration with other UMS institutions and the Office of the Chancellor in  
6 pursuit of the goals of the public agenda and the overall long-term quality and financial  
7 sustainability of the UMS.

8

DRAFT

# 1 CONCLUSION

2  
3 Our Task Force is one of three groups working to address the persistent and growing structural  
4 deficit the University of Maine System is facing.

5  
6 The first group, Arena 1, has recommended reforms in administrative services that may reach  
7 more than \$30 million by 2013. Further focus on the revenue enhancement component of that  
8 report in light of our recommendations on utilizing tuition and student aid policies, distance  
9 education, and campus mission differentiation, should allow that work to go forward to  
10 develop a concrete strategy for increasing revenues.

11  
12 Arena 2 has proposed a significant series of criteria for evaluating and re-focusing academic  
13 programs and services, the timely and firm implementation of which could result in major  
14 savings, while still keeping the universities of the System within the norms set by their peer  
15 groups and accreditation requirements. It is not unreasonable to expect a determined  
16 implementation of these recommendations could result in savings on the order of \$10 million or  
17 more.

18  
19 Our Task Force—also called Arena 3—had a different mission: to examine the governance and  
20 recommend restructuring which would institutionalize the ability to use available funds  
21 efficiently. We believe we have done so, by recommending:

- 22  
23 1. The Board of Trustees and Chancellor provide leadership in aligning UMS with a  
24 vision and public agenda that will earn public and Legislative support; and in  
25 operating the system on a coordinated, mutually cooperative basis, minimizing  
26 duplication in the work of the various campuses;
- 27  
28 2. System-wide Services (SWS), which has already been improved by new leadership ,  
29 be organized in a way that makes the shared services of this organization subject to  
30 customer service agreements, satisfaction surveys, and an oversight council, which  
31 should provide further cost discipline;
- 32  
33 3. The missions of the universities making up the System be rationalized by the Board  
34 of Trustees on the advice of the Chancellor, the Vice Chancellor for Academic  
35 Affairs, and presidents to reduce the amount of duplication in their offerings, to  
36 whatever extent is necessary to eliminate the deficit after other options are  
37 exhausted, while continuing to serve areas adversely affected through new,  
38 purposeful distance education leadership which benefits both provider and receiver  
39 campuses and students;
- 40  
41 4. The efficiency, initiative, entrepreneurship, and ultimately the attractiveness of the  
42 universities of the Maine System could be encouraged by breaking the bonds of the

1 rigid funding formula in place for the past 40 years as we have described herein,  
2 thus institutionalizing as best we can a new culture that welcomes and adapts to  
3 change;  
4

- 5 5. Conceptualizing the various universities of the Maine System as a mutually  
6 supportive union, rather than a loose, internally competitive confederacy as was the  
7 case too often in the past, should allow for more joint enterprises, economies of scale,  
8 and utilization of resources for mutual benefit, to the ultimate service of the people  
9 of Maine.  
10

11 We are aware that our recommendations do not come with identified savings, as was the case  
12 with Arenas 1 and 2. We are also aware that, even with the savings that they have identified,  
13 there is still a savings gap of several million dollars between the projected revenues and  
14 expenditures in four years—and with the economy as fragile as it is, these numbers could well  
15 get worse.  
16

17 However, we believe that if our recommendations for reforming the larger management and  
18 governance structures of the University System are adopted, the Board and Chancellor will  
19 have the tools available to address this gap, and deal with such shortfalls should they recur in  
20 the future.  
21  
22

1 APPENDIX I – AGENDA FOR ACTION  
2  
3

4 **UMS Agenda for Action**

5 **SUMMARY**

6  
7  
8 The University of Maine System unites seven distinctive public universities in a  
9 common purpose to provide quality higher education at affordable cost, to  
10 strengthen the Maine economy through research and outreach, and to improve the  
11 lives of all Maine citizens. Working collaboratively with Maine's community  
12 colleges, K-12 providers, businesses, industry, and government, Maine's university  
13 system will help make Maine a better place to live and work by increasing the role,  
14 value, reputation, and impact of the Universities of the University of Maine System.  
15 Below are the five pillars of the *Agenda for Action*:

16  
17 **1. STUDENT SUCCESS**

18  
19 **Goal:** *UMS will continue to increase the quality of its academic learning environment,*  
20 *its programs, and the overall student experience to ensure students gain the most*  
21 *from their work and graduate in increasing numbers.*

22  
23 **Outcomes:**

- 24 ➤ Increase the number of baccalaureate-degree graduates to 5000 per year  
25 by 2012
- 26 ➤ Increase financial aid by 20% by 2012, not including loans, to ensure  
27 affordability
- 28 ➤ Expand university-based initiatives to achieve progress in:
  - 29 ○ Program quality
  - 30 ○ Retention and graduation
  - 31 ○ Diversity
  - 32 ○ Providing faculty with the tools and developmental opportunities  
33 to meet the needs of the 21<sup>st</sup> Century.

34  
35 **2. STRENGTHENING THE ECONOMY OF MAINE (R&D&E)**

36  
37 **Goal:** *UMS will broaden its impact on economic development through Research,*  
38 *Development, and Education initiatives that enhance the vitality of Maine's*

1 *economy. Each university will participate according to their mission so that all*  
2 *universities are fully engaged in this essential work.*

3  
4 **Outcomes:**

- 5 ➤ Increase external funding to \$150 million per year by 2012
- 6 ➤ Increase the percentage of Maine’s workforce with baccalaureate degrees  
7 to 20% by 2012<sup>35</sup>
- 8 ➤ Increase Maine Economic Improvement Fund by 25% by 2012
- 9 ➤ Establish a special MEIF fund to provide support for all UMS universities
- 10 ➤ Promote the importance of the liberal arts and baccalaureate education to  
11 the creative economy and a strong civic culture
- 12 ➤ Increase the number and level of engagement of partnerships with  
13 businesses, industry, and government
- 14 ➤ Increase the number of graduates in essential disciplines by 25% by 2012;  
15 including:
  - 16 ○ Doctorates and Masters in the State’s seven strategic research areas
  - 17 ○ Baccalaureates in science, technology, engineering, and math  
18 (STEM)
  - 19 ○ Baccalaureates in nursing and health related professions
  - 20 ○ Teacher Certification (i.e., math, sciences, foreign languages, and  
21 special education)

22  
23  
24 **3. ENVIRONMENTAL STEWARDSHIP**

25  
26 **Goal:** *UMS will be recognized as one of the most environmentally responsible*  
27 *university systems in America. This work will be a common thread in all*  
28 *activities of the System, including being embedded in the curriculum, building*  
29 *standards, energy usage, recycling programs, transportation, and monitoring*  
30 *systems.*

31  
32 **Outcomes:**

- 33 ➤ Monitor and reduce BTU/sq. ft. usage by 2012 in existing buildings  
34 through energy renovations
- 35 ➤ Require LEED standards and metering on all new buildings and  
36 renovations

---

<sup>35</sup> Consistent with the Maine Development Foundation and Compact for Higher Education goal for degree attainment.

- Become one of the first university systems to have each university carry-out the *Presidents Climate Commitment* by developing a comprehensive plan to attain climate neutrality
- Demonstrate environmental stewardship in efforts regarding:
  - Curriculum
  - R&D
  - Outreach

#### 4. FINANCIAL SUSTAINABILITY

**Goal:** *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.*

**Outcomes:**

- Hold annual cost increases to the Higher Education Price Index (HEPI)
- Fund retiree healthcare annual costs by 2012
- Fully fund annual capital depreciation by 2017
- Maintain health care premium rate increases for active employees at no more than the New England healthcare cost trend average
- The System and each university will monitor and achieve goals for selected financial indicators:
  - *Operational Statement* - break even or slightly positive net change annually
  - *Debt service coverage ratio* – strive for operational cash flow to be 2 times debt service
  - *Unrestricted net assets to debt* – strive for unrestricted net assets to be one-third of debt
  - Annual debt service shall not exceed 5% of annual expenses
  - Maintain or increase *instructional and academic support* expenditures as a percentage of the total operating budget

#### 5. HIGHER EDUCATION ADVOCACY

**Goal:** *UMS will be a leading voice in advancing the role and value of higher education in Maine. The University System will work with other higher education institutions, related organizations, and the private sector to encourage student*

1 *participation, secure additional private and public support, and develop linkages*  
2 *and synergies that enhance the overall mission of the University System.*  
3

4 **Outcomes:**

- 5 ➤ Fully implement an integrated University System communication and  
6 outreach plan
- 7 ➤ Increase the University System’s advocacy network membership by 100%  
8 by 2012
- 9 ➤ By 2012, in statewide surveys, achieve agreement by 75 percent of Maine  
10 citizens about the value and necessity for public higher education to  
11 Maine's economy and quality of life  
12

DRAFT

## 1 APPENDIX II – POSSIBLE CAMPUS ROLES AND MISSIONS

2 The following are possible campus roles and missions that could be elaborated in the “Role and  
3 Scope” statements described in recommendation 2.

4  
5 The decision as to which campus should carry out what missions is ultimately up to the Board  
6 of Trustees, with the advice and counsel of all the relevant leaders and constituencies. But in  
7 the end, firm, clear-cut decisions will be required to tailor our missions and strategic plans to  
8 our resources, our public purposes, and our competitive opportunities.

### 9 University of Maine

10 *A nationally competitive land grant university with targeted doctoral offerings.* Research and  
11 scholarship are central to the role of UMaine as the state’s major research university.

12 Possible objectives include:

- 13 • Reaffirm the critical role of the University of Maine as the land grant and lead research  
14 university;
- 15 • Increase retention and graduation rates and degrees granted as percentage of undergraduate  
16 enrollment to the level of best performance among peer group;
- 17 • Increase the percentage of enrollment at the graduate level;
- 18 • While continuing State research support, increase federally and privately-funded R&D  
19 expenditures to the highest level of peer group, by 2015;
- 20 • Increase selectivity of undergraduate admissions (to “highly selective” from current  
21 “selective”) to compete for the best-prepared students from Maine and New England;
- 22 • Increase links as the state’s land grant university with initiatives to improve the economy and  
23 quality of life of all Maine regions through:
  - 24 – Academic outreach
  - 25 – Technology transfer and technical assistance
  - 26 – Cooperative Extension Service;
- 27 • In pursuit of its statewide land grant mission, link with the public agenda and plan,  
28 coordinate, and undertake joint initiatives with other UMS institutions.

### 29 University of Southern Maine

30 *A regionally competitive public, comprehensive university, with statewide responsibilities in a  
31 few selected professional and graduate programs, and a particular focus on the needs and  
32 aspirations of Central and Southern Maine.* Possible objectives include:

- 1 • Increase the participation rates of recent high school graduates and adults in higher education  
2 in Central and Southern Maine in collaboration with Maine Community College System  
3 campuses;
- 4 • Increase degrees granted as percentage of undergraduate enrollment;
- 5 • Increase number of majors, joint programs, and selected courses delivered to other UMS  
6 campuses and centers through distance education;
- 7 • Support the unique role of the Lewiston-Auburn College of USM in serving the Lewiston-  
8 Auburn region and in increasing the participation and completion rates for students in Central  
9 Maine;
- 10 • Focus graduate mission on master’s degree programs consistent with the needs of Southern  
11 Maine and in selected professional fields for statewide delivery on other UMS campuses.  
12 Doctoral programs should not be expanded beyond the current level;
- 13 • Increase collaboration with the University of Maine to provide for delivery of graduate  
14 programs in Southern Maine that are not available at USM. UMaine and USM should  
15 collaborate to determine whether any efficiencies or economies of scale could be realized by  
16 combining some of their graduate programs, for instance the multiplicity of public policy  
17 institutes.

## 18 **University of Maine at Augusta**

19 *A regional state university focused on providing baccalaureate and selected associate degrees to*  
20 *meet the regional educational, economic and cultural needs of the Kennebec Valley and Bangor –*  
21 *focused particularly on serving part-time adult learners, and with expertise in program and*  
22 *course design and services for distance delivery of instruction (on-site delivery, on-line learning,*  
23 *and mixed-model delivery).*

24  
25 In University College, pursue a statewide mission of ensuring access for place-bound  
26 learners throughout Maine to higher education [see also recommendation regarding  
27 distance learning below]:

- 28 • Assess the needs for higher education of place-bound learners throughout Maine  
29 and ensure that these adults have opportunities to enroll in and complete full  
30 academic programs appropriate to their needs;
- 31 • Evaluate the cost-effectiveness, and where justified, deliver programs to place-bound  
32 learners at 10 centers, other University System sites, and other sites, through ITV, on-  
33 line, and direct instruction, and other means;
- 34 • Coordinate on behalf of the UMS, distance delivery throughout the System (by all  
35 those institutions engaged in distance education through centers, on-line learning,  
36 delivery on other University System campuses, and others means) to:
  - 37 – Provide System-wide Services to distance learning students (e.g., a help desk);

- 1           – Ensure consistency of policies and procedures for students and faculty;
- 2           – Monitor technical quality assurance, while the originating campus bears
- 3           responsibility for the quality of the content; and
- 4           – Provide professional development of faculty regarding distance learning
- 5           program and course design and pedagogy.

6           **The University of Maine at Farmington**

7           *A selective residential public liberal arts college with a small portfolio of pre-professional*  
8           *programs in teacher education and related fields.*

- 9           • Continue mission of Maine’s public liberal arts college;
- 10          • Increased emphasis on “regional stewardship”—increasing the role of the university as a
- 11          resource to improve the economy and quality of life in Western Maine and to engage students
- 12          in community service learning.

13          **The University of Maine at Fort Kent**

14          *Regional state university focused primarily on meeting the needs of the population and economy*  
15          *of its region.*

- 16          • Maintain core capacity to grant baccalaureate degrees, especially in fields directly relevant to
- 17          the needs of its region;
- 18          • Increase capacity to function as a receive site for delivery of selected baccalaureate and
- 19          master’s degree programs offered by other System universities (on a cohort basis, if
- 20          appropriate) to meet regional needs that are not adequately served by the university’s core
- 21          capacity (see recommendations on funding for “receive sites” to broker programs to meet
- 22          regional needs);
- 23          • Serve as a provider to other UMS campuses and sites in specific areas of programmatic
- 24          specialization;
- 25          • Continue associate degree programs, emphasizing cooperative programs with the Community
- 26          College System that provide a mid-point in progress toward a baccalaureate degree as well as
- 27          associate degree programs that respond to specific needs of their regions that are not being
- 28          met by the community colleges;
- 29          • Increased emphasis on “regional stewardship”— increasing the role of the university as a
- 30          resource to improve the economy and quality of life in its region and to engage students in
- 31          community service learning.

32          **University of Maine at Machias**

33          *Regional state university focused primarily on meeting the needs of the population and economy*  
34          *of its region.*  
35

- 1 • Maintain core capacity to grant baccalaureate degrees, especially in fields directly relevant to  
2 the needs of its region;
- 3 • Increase capacity to function as a receive site for delivery of selected baccalaureate and  
4 master’s degree programs offered by other System universities (on a cohort basis, if  
5 appropriate) to meet regional needs that are not adequately served by the university’s core  
6 capacity (see recommendations on funding for “receive sites” to broker programs to meet  
7 regional needs);
- 8 • Serve as a provider to other UMS campuses and sites in specific areas of programmatic  
9 specialization;
- 10 • Continue associate degree programs, emphasizing cooperative programs with the Community  
11 College System that provide a mid-point in progress toward a baccalaureate degree as well as  
12 associate degree programs that respond to specific needs of their regions that are not being  
13 met by the community colleges;
- 14 • Increased emphasis on “regional stewardship”: increasing the role of the university as a  
15 resource to improve the economy and quality of life in its region and to engage students in  
16 community service learning.

17 **University of Maine at Presque Isle**

18 *Regional state university focused primarily on meeting the needs of the population and economy*  
19 *of its region.*

- 20 • Maintain core capacity to grant baccalaureate degrees, especially in fields directly relevant to  
21 the needs of its region;
- 22 • Increase capacity to function as a receive site for delivery of selected baccalaureate and  
23 master’s degree programs offered by other UMS universities (on a cohort basis, if  
24 appropriate) to meet regional needs that are not adequately served by the university’s core  
25 capacity (see recommendations on funding for “receive sites” to broker programs to meet  
26 regional needs);
- 27 • Serve as a provider to other UMS campuses and sites in specific areas of programmatic  
28 specialization;
- 29 • Continue associate degree programs, emphasizing cooperative programs with the Community  
30 College System that provide a mid-point in progress toward a baccalaureate degree as well as  
31 associate degree programs that respond to specific needs of their regions that are not being  
32 met by the community colleges;
- 33 • Increased emphasis on “regional stewardship”: increasing the role of the university as a  
34 resource to improve the economy and quality of life in its region and to engage students in  
35 community service learning.

36

37

## APPENDIX III – ALTERNATIVE FOR INSTITUTIONAL COMPONENT OF THE FINANCE MODEL

The following is one approach for developing the institutional component of the finance model:

1. Determine “adequacy” and “equity” by comparing UMS institutions’ funding (state appropriations and tuition and mandatory fee revenues) with that of their peer institutions
  - An important step would be for the Chancellor and the institutions to reach agreement on a final list of appropriate peers.<sup>36</sup>
  - Establish benchmark level of funding for each institution. Possibilities for establishing benchmarks include: the mean of peer group, the median of peer group (preferred), or 90-95% of median (to reflect an explicit expectations of improvements in productivity levels).
2. Establish a desired split of revenue between state and students (typically those institutions that are open access and serve the most economically needy students should receive a smaller share of their revenue from students).
3. Develop a multi-year plan for moving each institution toward goals for both funding levels and source shares (state appropriations and tuition and fee revenue).
4. Establish a special purpose component of institutional funding:
  - Establish as a significant, separate component of the institutional funding model and fund it every year in an amount to be determined by the Board of Trustees (up to 5% of General Fund appropriation), through utilization of System reserves, ARRA funds, general and special appropriations, gifts, grants, and other sources. This strategic pool of funds should be available competitively System-wide, not only to address the evolving priorities of the State, but also to encourage and incentivize the development of initiative, innovation and creative thinking on an ongoing basis.<sup>37</sup>

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<sup>36</sup> For the purpose of analysis for the Task Force, NCHEMS prepared a list of peers for each UMS institution, combining peers independent analysis and many of those already identified by UMS. The final list of peers used for the financing model should be acceptable not only to each institution but also be credible with other UMS institutions.

<sup>37</sup> It appears that MCCS has already figured out how to do something like this, as manifested by the strategic initiatives funded out of its budget in the current fiscal year for financial assistance to students whose family breadwinners have lost their jobs, among others – see Fitzsimmons address to the Legislature, Feb. 2009.

- 1 • Does not get added to institutions' base funding.
- 2 • Ties explicitly to priorities in the public agenda. Examples:
  - 3 a. Payments for year-to-year increases in the number of undergraduate
  - 4 degree recipients.
  - 5 b. Matching of increases in federal competitive research funding.
  - 6 c. Payments for increasing degrees produced in priority fields (e.g.,
  - 7 STEM fields and health professions).
  - 8 d. Establish "receive-site" funding pools that allow institutions to buy
  - 9 (on a program, not course basis) programs needed in an area, but not
  - 10 provided by the local institution. The receive-site would get a portion
  - 11 of the funding for administrative/student support. All institutions
  - 12 would be eligible to function as receive sites according to their needs
  - 13 and as providers according to their expertise. The relationship
  - 14 between providers and receive sites would be best operated as a
  - 15 contract to protect all parties (students, providing institution, and
  - 16 receive-site).

17 The table on the following page illustrates three scenarios that illustrate the implementation of a  
18 new financing model using differences in tuition policy and allocation of state appropriations.  
19 The following are important points in examining these scenarios:  
20

- 21 • The three institutional examples are used only to illustrate differences in
- 22 mission.
- 23 • The data are NOT actual data for any UMS institution.
- 24 • Under all scenarios, the level of total revenues (from state appropriations
- 25 plus tuition and fees) should remain the same and is keyed to benchmarks
- 26 for peer institutions. In other words, under no reasonable scenario would an
- 27 institution lose revenue, assuming its overall pricing and programming are
- 28 sound. The Board of Trustees would implement changes in tuition levels
- 29 only after considering potential impact on affordability and enrollment
- 30 levels.

31

## Scenarios for Institutional Component of Possible Funding Model

Hypothetical Current Revenue Sources						Hypothetical New Allocations						
	Avg Total Revenue Per FTE (Benchmark Level for Peers)	Current total Revenue per FTE	Current % of Revenue from State Appropriations	Current State Appropriations Per FTE	Current Net Tuition and Fee Revenue Per FTE	Policy Parameters Regard Tuition	Policy Goal for State Appropriations Per FTE		Policy Goal for Net Tuition and Fee Revenue Per FTE		Ending Total Revenue	Multi-Year Policy Change
							%	\$	%	\$		
Research University Scenario	\$16,000	\$16,000	45%	\$10,000	\$6,000	Net Tuition compared to public research universities New England region	40%	\$6,400	60%	\$9,600	\$16,000	Increase in-state and out-of state tuition; reduce discounting
Urban University Scenario	\$12,000	\$12,000	40%	\$4,800	\$7,200	Tuition related to per capita income in counties where students reside	50%	\$6,000	50%	\$6,000	\$12,000	Decrease lower-division tuition and increase upper-division and grad tuition
Regional Open-Access University Scenario	\$9,500	\$9,500	35%	\$3,325	\$6,175	Decrease lower-division tuition to attract lower-income students	60%	\$5,000	40%	\$4,500	\$9,500	Decrease lower div tuition; maintain upper at previous levels

2

3 This process will be useful in determining whether each institution has the resources appropriate for its mission (compared to peers). It also will  
 4 permit the Board of Trustees to determine on the basis of the public agenda and state priorities the percentage of the costs of each institution that  
 5 should be borne by the state or students.

6

7