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January 2, 2020

The Hon. Sen. Rebecca Millett and the Hon. Rep. Tori Kornfield
Chairs of the Joint Standing Committee on Education & Cultural Affairs
100 State House Station
Augusta, ME 04333

The Hon. Sen. Cathy Breen and the Hon. Rep. Drew Gattine
Chairs of the Joint Standing Committee on Appropriations & Financial Affairs
5 State House Station
Augusta, ME 04333

Dear Chairs Millett, Breen, Kornfield and Gattine:

The University of Maine System, Maine Community College System and Maine Maritime Academy are among Maine's most critical public assets and so too is their infrastructure. Just likes roads and bridges, these higher education institutions are essential to the economic prosperity of our state and the upward mobility of all Maine citizens and communities.

Yet despite the vital importance of these institutions to developing the state's workforce, accelerating innovation and investment, and attracting and retaining tens of thousands of talented people to study, live and work in Maine, their facilities are failing. The average effective age of buildings at Maine's public universities is 50, at its public community colleges is 36, and at its maritime academy is 40. Not only are many of the classrooms, labs, and student and community spaces woefully outdated to meet the needs and uses of 21st century learners, in a concerning number of cases they also fail to meet minimum federal accessibility requirements and basic health and life safety standards.

These conditions are not the result of negligence. Instead, decades of underfunding of the state's public postsecondary systems combined with their respective commitments to minimizing tuition costs to ensure access and affordability for Maine families have burdened our institutions with more than $1 billion in deferred maintenance and imminent need.

Were the UMS, MCCS and MMA to have to fund capital maintenance at recommended levels without additive State appropriation, it would result in significant decreases in programs and positions and increases in tuition and fees that would make public higher education and the opportunities it creates inaccessible for the people of Maine.

Our students deserve better and with talent development and innovation at the center of Maine's new 10-year economic strategic plan, our state's future demands it.

Over the last six months, Presidents David Daigler (MCCS) and William Brennan (MMA) have joined me along with representatives of the Maine Department of Education, the Maine Department of Administrative and Financial Services, the Finance Authority of Maine and the Associated General Contractors of Maine to explore strategic and sustainable approaches to addressing this public higher education and workforce training infrastructure crisis. The *Task Force To Recommend a Sustainable Funding Model for Maintaining Maine's Public Higher Education Infrastructure*, which I chaired, was guided by our shared belief that this burden should not be borne directly by Maine students and their families.

The attached report details the Task Force's findings as well as our recommendations, which can be summarized as follows:

- The three public systems should implement a common data-driven capital asset assessment and investment prioritization process.
- The State should appropriate $10 million annually in new debt service to be allocated across the three public systems via an objective need-based formula specifically to target deferred maintenance.
- UMS, MCCS and MMA should continue seeking regular general obligation bonds for projects with statewide benefit but do so with greater coordination.
- The three public systems should not levy student fees or raise tuition specifically to fund deferred maintenance unless absolutely necessary due to inadequate State support.

We believe that these recommendations are reasonable and rightly put the responsibility for stewarding these public assets both on our campuses and in the Capitol. We look forward to working together with you to advance them for the benefit of our students and our state. To this end, the Task Force would welcome the opportunity to meet jointly with your Committees. UMS Director of Government & Community Relations Samantha Warren (samantha.warren@maine.edu) will contact your Committee analysts to schedule this briefing.

I want to thank you for being incredible champions of Maine's public postsecondary institutions and especially for your steadfast support of the $65 million in general obligation bonds for our campuses ultimately passed by Maine voters in 2018. This funding was significant and is already making a difference in our ability to attract and retain students and provide them a high-quality, affordable education. Action on the attached recommendations is the next step we can take together to truly transform public higher education in Maine.

Sincerely,

Dannel P. Malloy, Chancellor
University of Maine System

Report of the Task Force To Recommend a Sustainable Funding Model for Maintaining Maine's Public Higher Education Infrastructure

SUBMITTED JANUARY 2, 2020

The Hon. Dannel Malloy, Chancellor of the University of Maine System (Chair) ● David Daigler, President of the Maine Community College System ● William Brennan, President of Maine Maritime Academy ● Elaine Clark, Director of the State of Maine Bureau of General Services ● Scott Brown, Director of the Maine Department of Education Division of School Facilities ● Matt Marks, CEO of the Associated General Contractors of Maine ● Carlos R. Mello, Chief Risk Officer at the Finance Authority of Maine

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INTRODUCTION

With at least 158,000 more Mainers requiring a postsecondary degree or credential by 2025 and acute workforce shortages in essential occupations like nursing, engineering and teaching that require a two-year, four-year or advanced degree, the state's public postsecondary institutions are more important now than ever before.

> *"In the 21st century, economic development is about investing in people and their communities. Talent is the new currency. Maine is in competition with other states and the world to build and retain a creative and productive workforce, to attract knowledge industries, and to have a well-educated public that can make wise civic and policy decisions."*
> –State Economic Development Plan

The University of Maine System, Maine Community College System and Maine Maritime Academy are among Maine's most critical public assets and so too is their infrastructure. **Just likes roads and bridges, these higher education institutions are essential to the economic prosperity of our state and the upward mobility of all Maine citizens and communities.**

Together, the three public systems have 715 buildings totaling 11.82 million square feet that directly support the education and workforce training of nearly 50,000 enrolled students each year. This includes the more than 6,000 students the University of Maine System now annually draws to the state – especially important given the dramatic decline in Maine's K-12 enrollment which is projected to further decrease by 12 percent between 2014 and 2026.

Yet despite the vital importance of these institutions to developing the state's current and future workforce, accelerating innovation and investment in both iconic and emerging industries, and attracting and retaining tens of thousands of talented people to study, live and work in Maine, their facilities are failing. **The average effective age of buildings at Maine's public universities is nearing 50, at its public community colleges is 36, and at its maritime academy is 40. Not only are many of the classrooms, labs and student and community spaces woefully outdated to meet the needs and uses of 21st century learners, in a concerning number of cases they also fail to meet minimum federal accessibility requirements and basic health and life safety standards.**

It is important to acknowledge that these conditions are not the result of negligence by the stewards of these facilities. **Rather it is the result of decades of underfunding of Maine's public postsecondary schools during which time maintenance has been deferred because of the competing needs for increasingly limited resources**.

Whereas the State's contribution to the respective operating budgets of these institutions was as much as two-thirds of the total just three decades ago, today that appropriation accounts for about a third of UMS and MCCS revenues and less than one-quarter of MMA's. Alternative public funding sources specifically for infrastructure investment including general obligation bonding have been insufficient and highly unpredictable due to intense competition for limited funds, political infighting and voter sentiment. At one time during the last 30 years, both the UMS and MMA went 11 years without receiving general obligation bond monies. On two occasions in the last 15 years, bond initiatives that would have greatly benefitted the UMS and MCCS have been rejected by voters.

These revenue realities coupled with a nation-leading commitment to minimizing tuition costs to ensure public postsecondary education is affordable and accessible to Maine families has burdened these institutions with more than $1 billion in deferred maintenance and imminent need.

Our students deserve better and with talent development and innovation at the center of Maine's new 10-year economic strategic plan, our state's future demands it.

ESTABLISHMENT OF SUSTAINABLE FUNDING TASK FORCE

In 2018, the 128th Maine Legislature and then Maine voters approved historic and long-overdue investment in the infrastructure of the University of Maine System ($49 million bond), the Maine Community College System ($15 million bond) and Maine Maritime Academy ($1 million bond).

The 128th Legislature also authorized $50 million in the form of a decade of targeted debt service to support the construction of a new Engineering Education & Design Center that will allow the University of Maine to increase its engineering enrollment by 50 percent to directly address a serious statewide shortage in that field.

> *"My hope is that what comes out of this Task Force is an acknowledgement of responsibility by the State for their public institutions and a commitment to deal with us better as part of their regular budget process. If I am faced with this level of challenge as my small campus, I cannot imagine what it looks like magnified throughout your systems."*
> –Maine Maritime Academy
> President William Brennan

While this amount of investment was incredibly significant in the near-term, it fell far short of a long-term solution. Furthermore, though the general obligation bond monies were the first the public institutions had received since 2013, because they had been rightly prioritized above more than $1 billion in other requests to the Legislature, it seemed politically unlikely that infrastructure investment for UMS, MCCS or MMA would rise again to the top of the Legislature’s bonding priorities in the immediate future.

As a result, the University of Maine System initiated LD 1283, *Resolve To Advance College Affordability by Convening a Task Force To Recommend a Sustainable Funding Model for Maintaining Maine's Public Higher Education Infrastructure*. Rep. Erik Jorgensen, who had sponsored the LD that had led to the 2018 public higher education bonds, sponsored the resolve. It received unanimous support in the Legislature’s Joint Standing Committee on Education & Cultural Affairs before being passed by the House and Senate on the consent calendar.

The charge of the Task Force was to study and report and make recommendations as to how to provide adequate supplemental funding to sustain the Maine’s public higher education infrastructure without burdening in-state students with unreasonable tuition and fee increases. Pursuant to the enabling resolve, the Joint Standing Committee on Appropriations and Financial Affairs and the Joint Standing Committee on Education and Cultural Affairs may submit legislation to the Second Regular Session of the 129th Legislature related to the subject matter of the Task Force’s report.

The Task Force was chaired by the Hon. Dannel Malloy, the new Chancellor of the University of Maine System, with UMS Vice Chancellor for Finance and Administration Ryan Low serving as his designee. Members included:

- David Daigler, President of the Maine Community College System
- William Brennan, President of Maine Maritime Academy
- Elaine Clark, Director of the State of Maine Bureau of General Services
- Scott Brown, Director of the Maine Department of Education Division of School Facilities
- Matt Marks, CEO of the Associated General Contractors of Maine
- Carlos R. Mello, Chief Risk Officer at the Finance Authority of Maine

UMS Director of Government and Community Relations Samantha Warren staffed the Task Force and UMS Chief Facilities and Management and General Services Officer Chip Gavin and MCCS Chief Financial Officer Pam Remieres-Morin participated in all meetings and provided invaluable technical support.

FINDINGS: CURRENT INFRASTRUCTURE CONDITION

Public Postsecondary Institution	Total Buildings	Gross Square Footage	Effective Age*
University of Maine System	550	9 million sf	50 years
Maine Community College System	139	2.2 million sf	36 years
Maine Maritime Academy	24	620,000 sf	40 years
Total	**715**	**11.82 million sf**	

**Effective age reflects the time that has passed since a building was last meaningfully renovated, as opposed to when it was originally constructed.*

The University of Maine System has 550 buildings that sustain statewide access to public higher education, nearly half of which have not been meaningfully renovated in at least 50 years. As these buildings age, the life cycles of their major components are past due and failure is increasingly likely, making the space more costly to maintain and renovate and presenting safety and accessibility concerns. To put that in perspective, across the country around 27 percent of higher education facilities have gone that long without modernization. The University of Maine, the University of Maine at Farmington and the University of Maine at Machias are at greatest risk, given the effective age of their facilities.

As measured on a net asset value (NAV) scale between 0 (ready for demolition) and 100 (brand new), the condition of the facilities at Maine's public universities has fallen to a NAV of 57 percent, well below the 70 percent average of the System's peer institutions across the nation and the target for UMS established by its Board of Trustees. **The size and age of the System's infrastructure put Maine's public universities at a disadvantage in terms of campus functionality, operating and repair costs and campus curb appeal.**

In an effort to better steward its public resources and ensure its facilities are appropriate to meet the current and future needs of its students and the state, in 2015 the UMS undertook an unprecedented data-driven assessment of its infrastructure, using an independent and leading provider of facilities data and analysis in higher education. According to the data and benchmarking, which is updated annually and reported to the System's Trustees, the UMS currently has more than $556 million of deferred maintenance – mostly for envelope and mechanical needs including HVAC, building exteriors, electrical and plumbing – and imminent need. To simply maintain existing facilities to prevent further deterioration, the System would need to invest $60 million annually, far short of the $22 million on average that is able to be invested each year within existing resources. Another $593.3 million would be needed over the next 10 years for modernization for a total need of $1.15 billion specifically for infrastructure over the next decade.

The result of such inadequate funding for capital improvement is that the University has been forced to be reactive rather than proactive in prioritizing projects. An example of this was the sudden 2016 evacuation of students and faculty from Kimball Hall, a century-old cornerstone of the University of Maine at Machias, after it was determined to be failing structurally. The building later had to be demolished at a cost that was not budgeted for of nearly $1 million.

The UMS has used the benchmarking and analysis reports to create an actionable data-driven capital plan. Each campus now has a one-year work plan, five-year capital plan and a master plan and the Board of Trustees has established 13 benchmarks with net asset value and density most driving investment decisions. As part of a commitment to right-sizing and stretching limited capital dollars furthest, the UMS is increasing its investment on existing space. From FY05-FY11, the System spent 49 percent of its capital monies on new space. In FY18, just 14 percent of capital monies were spent on new space while 64 percent was invested in renovations and repairs to existing facilities.

According to the most recent third-party report, while the $49 million bond approved by voters in 2018 is already providing critical to improving net asset value and lowering the renovation age of older spaces, “The measures of condition or quality of the University’s facilities simply are unlikely to improve overall until and unless substantially more investment is made in existing facilities each year.”

The Board of Trustees has also set a policy that the System may not increase its square footage without their explicit consideration and approval. In recent years, the UMS overall footprint has decreased by 253,000 gross square feet, with another 300,000 gross square feet of vacant, underutilized or poorer condition space planned for demolition/removal when funding becomes available. The System estimates it realizes approximately $7 per square foot in on-going operational savings for every foot of underutilized and unneeded space taken off-line.

The Maine Community College System comprises seven colleges at nine locations with a total of 139 buildings and an average renovation age of 36. A third of the MCCS square footage is at Southern Maine Community College in South Portland, a decommissioned military fort where the oldest building is 118-years-old and the estimated average among all facilities is 57. By comparison, York County Community College is the System's smallest with just three buildings, the oldest of which was built 1997 and the newest of which was completed in 2017.

Capital spending at MCCS is highly volatile as it is largely driven by general obligation bonds and philanthropy. In the last decade, annual spending has fluctuated from a high of $23 million in FY15 – nearly two-thirds of which came from State bond monies and philanthropy – to a low of just above $10 million in FY18 – funded mostly by internal resources.

Internal funds are typically focused on necessary improvements that would be unlikely to generate excitement from outside donors, like upgrades to roofs and parking lots. State bond monies are also used for these basic repairs as well as energy efficiencies, information technology upgrades, and projects that directly improve workforce development capacity, like a nursing simulator expansion or additive manufacturing lab build-out.

Finally, given their unique technical training and career education mission, MCCS has been highly successful in securing industry partnerships which support relevant facilities improvements or equipment purchases/upgrades. Some recent examples include Pratt & Whitney supporting the development of a specialized training site in Sanford and HAAS machinery providing Central Maine Community College equipment and $1 million for facilities renovation and CMCC becoming their training partner on that equipment in return.

The backlog of deferred maintenance at MCCS is estimated at $99.6 million and like UMS and MMA, includes a number of health and life safety upgrades including backup generation, new security and fire alarm systems, improvements to internal air quality and replacement of septic systems and/or related filters.

Maine Maritime Academy has a 40-acre campus in historic Castine that is home to just under 1,000 students and comprises 24 buildings as well as a pier and several vessels that serve as floating classrooms and laboratories**.** The Academy maintains a detailed planned maintenance list that, while orders of magnitude less than the university and community college systems, is nevertheless a significant financial burden for a public institution of its size. The annual cost of facilities maintenance is estimated at $2 million, however MMA is only able to budget at most $800,000 each year to address the most critical health and safety needs as well as energy improvements. The Academy incurs an additional $100,000 or more in emergency or unexpected repair expenses each year, a result of inadequate resources to allow for proactive capital planning and investment.

Following successful statewide voter passage of a $4.5 million bond in 2013 and nearly $10 million in private fundraising from graduates and the companies that employ them, in 2015 MMA opened the first new classroom building constructed on its campus in more than three decades.

One of only six public maritime academies and allowing students to earn what has been deemed one of the most valuable degrees in the nation, MMA has struggled to secure State funding, including for capital needs. Since 1990, MMA has been the beneficiary of six state general obligation bonds, totaling just $13 million. Requests for appropriation to support structural repairs to roof columns and pier decking as well as upgrades to a steam line, new dormitory windows and improvements to a classroom building have been repeatedly rejected in recent rounds of State budgeting.

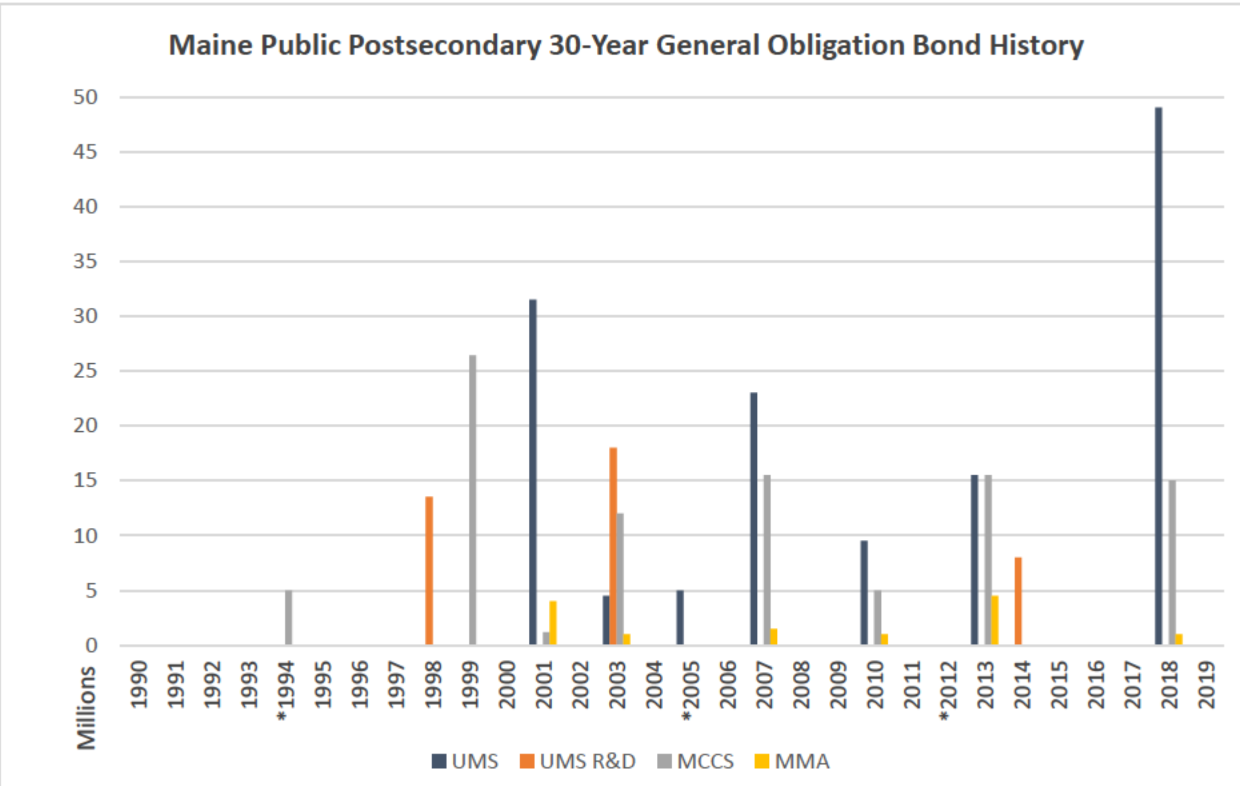
FINDINGS: CURRENT FUNDING MECHANISMS

Because of the extent of their needs, Maine's public postsecondary institutions currently must cobble together a creative mix of funding sources to support the basic operations and maintenance of their existing capital portfolio as well as new construction. Several of these are highly unpredictable or unnecessarily costly, limiting strategic capital planning for the institutions and creating uncertainty for the building and trades community. All are grossly inadequate to meet the serious needs that exist at these vital public institutions.

As part of their annual budgets, all three systems direct revenue from either **State appropriation or tuition and auxiliary generated monies** toward capital. Unlike in some states, Maine does not have a separate capital budgeting process for its postsecondary institutions. Amounts vary and were generally outlined in the previous section of this report. The institutions also benefit from **philanthropic gifts**, though those generally support new construction, equipment or programming rather than deferred maintenance.

State general obligation (GO) bonds require the support first of two-thirds of the members of the Maine Legislature and then a majority of Maine voters. To date, general obligation bonding levels have been unpredictable due to the current short-term and often highly politicized process that determines bonding levels and priorities.

The following chart (a larger version is provided as Appendix 1) shows the 30-year history of GO bonding for the state's public postsecondary institutions. In many cases bond monies are for new or targeted University of Maine System research and development initiatives (indicated separately below), as opposed to updating existing facilities or providing general infrastructure investment. This chart does not include bond proposals that were not advanced to voters by the Legislature or bonds that may have been authorized by voters but for which the proceeds were only available in a competitive process for which the public higher education institutions may have been eligible to apply but not uniquely so.



**In 1994, a bond for the UMS was overwhelmingly rejected by voters and bond questions to jointly benefit the UMS, MCCS and MMA were narrowly defeated at the ballot box in 2005 and 2012.*

Historically, investments for the UMS, MCCS and in some cases MMA were often combined in one ballot question, ensuring the institutions were not competing for funds. Following narrow voter rejection of a UMS/MCCS bond for $9 million in 2005 and for UMS/MCCS/MMA for $11.3 million in 2012, the institutions successfully pursued separate ballot initiatives in 2013 and 2018, running separate campaigns funded by separate Political Action Committees.

On its own in the case of the UMS or through the Maine Health & Higher Educational Facilities Authority (MHHEFA) in the case of MCCS and MMA, **the three public**

systems also do their own borrowing.

Because of its size and a recent ratings upgrade (S&P: AA- with stable outlook), the University of Maine System is uniquely able to borrow money at highly competitive rates. The System sells low-interest revenue bonds, uses that money for renovations or new construction, and then generates revenue to pay back its investors. In some cases that revenue is raised from tuition, room and board. It may also come from the State through a special debt service appropriation unique to the System that is currently budgeted at $8.27 million annually. Unlike GO bonds, this debt is not backed by the full faith and credit of the State of Maine.

The System's debt limit is set in State statute and currently requires legislative approval to adjust. While current outstanding debt is around $150 million, to allow for several significant projects in the pipeline at the University of Maine and the University of Southern Maine, the UMS successfully sought a raising of its debt ceiling to $350 million during the first session of the 129th Legislature (2019). However, even that larger cap still challenges the System's ability to address its considerable infrastructure investment needs. As the debt of the UMS is overseen by the Trustees and ultimately limited by the security of its revenue streams and the confidence of the bond market, in the future the Legislature may want to further raise or remove the somewhat arbitrary cap. Failure to do so will likely result in some mission-critical projects not moving forward on schedule or budget, limit large philanthropic matching, and/or require the UMS to pursue costlier alternative financing methods.

Meanwhile, MCCS and MMA occasionally finance projects through MHHEFA, which provides eligible non-profit colleges, universities and licensed healthcare facilities access to capital markets by issuing low cost, tax-exempt bonds and lending the proceeds to finance or refinance the acquisition, construction and renovation of facilities. Tax-exempt bonds issued through MHHEFA result in interest rates that are much lower than conventional bank financing, though the UMS is able to get comparable or lower rates on its own given its size and standing. In 2006 MCCS borrowed $22.6 million through MHHEFA and in 2016, refinanced $17.5 million. The overall borrowing capacity of the MCCS is limited by State statute to $35 million. In 1993, MMA borrowed $3.4 million through MHHEFA and in 2004, $2.7 million – all of which has since been paid off. By comparison, in the last decade alone, the University of New England has borrowed nearly $100 million through MHHEFA.

Increasingly, the UMS, MCCS and MMA are relying on **public-private partnerships** (P3s) where a private partner makes the up-front investment that the public institution could otherwise not afford for a renovation or new construction project that is expected to generate revenue in exchange for a long-term portion of those proceeds.

An example of this is a recently completed $2 million renovation of the Brooks Dining Hall at the University of Southern's Maine's Gorham campus, in which Sodexo, the food service provider for the campus, invested in the improvements which have resulted in usage of the cafeteria almost doubling at some mealtimes. Sodexo funded a similar P3 for $2.6 million at MMA. Meanwhile, after hearing increasingly from students about the needs for safe, affordable housing at the non-residential University of Maine at Augusta, the campus entered into a public-private partnership in which it leases residential units in Hallowell from Mastway Development. While this foray into student housing is a modest one, it is one UMA would not have been able to pursue on its own. Finally, as the UMS works to achieve carbon neutrality by 2024, this year it also entered into its first energy savings performance contract (ESCO) in which a private company will provide the up-front capital to replace existing energy fuel sources in some USM facilities with renewable energy sources. In exchange, the company receives the revenue saved by the lower utility costs when the project is implemented.

While P3s can be successful, they do cede important public revenue streams to private parties and may not always be appropriate for the institution or attractive to investors, especially at smaller campuses. According to the UMS, while the System used to be risk averse to doing these types of complex projects, in the recent cases where P3s were pursued, the risk was deemed to be greater in not moving forward on making badly needed facility upgrades.

RECOMMENDATIONS

Recommendation One: Implement common data-driven capital asset assessment and investment prioritization process for use by all three public systems.

From its first meeting, the Task Force was in agreement about the importance of data to drive capital planning. There was also an understanding that having objective, consistent criteria for evaluating the condition of facilities across the three systems would be most valuable to informing how the State allocated funding.

MCCS and MMA were impressed with the facilities benchmarking and analysis the company Sightlines produced for the University of Maine System, at a cost of $150,000 annually. The UMS explained that beyond data discovery and benchmarking, capital renewal projections and performance measurement, the benefits of this third-party analysis has included access to national data to compare to peers, historical trends to show improvements that have resulted from integration of capital planning and investment, and energy usage evaluation to track reduction in harmful emissions. While its facilities have different functions, the Maine Department of Finance and Administrative Services (DAFS), which manages State buildings, also found tremendous value in the Sightlines process and presentation of information.

As a result, on Dec. 31, 2019 the State's Bureau of General Services released a competitive request for proposals to provide Capital Asset Assessment and Investment Strategy Services for Maine DAFS, the University of Maine System, the Maine Community College System and Maine Maritime Academy. While each of the four participating organizations will negotiate separate contracts with the winning bidder because they are separate legal entities, the expectation is that making a single award will reduce costs and ensure the data and analysis generated is consistent and therefore of greatest value to the respective institutions and to policymakers.

Deliverables resulting from these services are as follows and expected to be provided in graphic form and in each category benchmark capital investment amounts to comparable states or institutions:

A. Evaluate Condition of Buildings and Infrastructure

1. Buildings' square footage, age, and condition, taking modernization/ renewal investments into account.
2. Risk of major failure or obsolescence due to age.
3. Types of building occupancies and densities by building.
4. Buildings by intensity of use (highest to lowest) cross-tabulated with condition (good to poor).
5. Square footage that could be demolished.

B. Assess Investment Needs to repair/renovate/restore facilities to proper performance levels and to keep facilities in serviceable condition, ensuring usefulness for expected lifespan.

1. Capital investment in existing and new space in the past 10 years.
2. Capital investment shown by building envelope, systems, space renewal, life-safety/code, infrastructure.
3. Assess return on investment for investments.
4. Recommend annual repair and maintenance budgets.
5. Illustrate impact of deferral on net asset value.

6. Recommend major capital investment levels to correct deferred maintenance, including specific breakout as to mechanical and building envelope issues.

C. Analyze Energy Consumption and Greenhouse Gas Emissions

1. Energy consumption (electric, oil, natural gas) in state-owned space and in space leased for state employees throughout the state.
2. Analysis of the carbon emissions from fuel.
3. Measure of gross emissions over time.

D. Operations

1. Expenditures per gross square foot for daily service, planned maintenance and utilities.
2. Square footage covered by employees for maintenance.
3. Coverage (by gross square foot) per custodian and per custodian supervisor.
4. Coverage (by acre) per grounds staff employee and per grounds supervisor.
5. Customer satisfaction, including as to scheduling and feedback about status of the job.

E. Optional Consolidated Report for all Higher Education Institutions

The University of Maine System, the Community Colleges, and Maine Maritime Academy shall have the option to elect for a single, consolidated public higher education report.

The intent is to make an award by March 1, 2020 so that the initial common benchmarking and analysis of the three public postsecondary systems would be completed by late 2020. This would inform understanding of needs and allocation requests for the FY22-23 biennial budget that will be taken up by the 130th Legislature in the winter of 2021.

When implemented, this would allow for a truly objective prioritization process similar to what currently exists for Maine’s PK-12 school facilities, whereas the Maine Department of Education regularly puts forth an objective ranking of proposed projects across the state based on a rating of the overall needs of evaluated school facilities as defined in State Board of Education *Chapter 61, Rules for Majority Capital School Construction Projects*. State subsidy for capital construction is then distributed based on these rankings, funding availability and a school administrative unit’s readiness to proceed.

As part of the Task Force's considerations, there was a conversation that PK-12 schools would benefit from also utilizing the same third-party analysis and benchmarking service. Given the complexity presented by local ownership of those facilities across more than 200 School Administrative Units, the Maine DOE and Maine DAFS agreed to explore this idea further outside of this Task Force.

Recommendation Two: The State should appropriate $10 million in new debt service to be allocated across the three public systems via a need-based formula.

To simply meet their basic operations and maintenance needs, the State would need to increase appropriations for its public postsecondary education institutions by an estimated $42.5 million per year ($35 million more for the UMS, $6.3 million for MCCS and $1.2 million for MMA). Several members of the Task Force felt that with low interest rates, positive State revenue projections and an educated workforce central to the success of a new 10-year state economic plan, the UMS, MCCS and MMA should request the full amount they need now to modernize their campuses and each year hence forth from the Legislature. While this would be money well spent, ultimately the Task Force was in agreement that it was unlikely a request for this level of funding would be successful.

Instead the Task Force is recommending a new revolving renovation debt service line for Maine's public higher education institutions be established by the Legislature and funded by the State at $10 million annually starting in FY22 with $5 million increases to that base appropriation every five years. A break-down of the recommended appropriation and its cyclical purchasing power is as follows:

	FY22	**FY23**	**FY24**	**FY25**	**FY26**	**FY27**	**FY28**	**FY29**	**FY30**	**FY31**	**FY32**
New Debt Service Appropriation	$10M					$5M					$5M
Recurring Debt Service Appropriation		$10M	$10M	$10M	$10M	$10M	$15M	$15M	$15M	$15M	$15M
New Revenue Bonding Capacity	**$100M**					**$50M**					**$150M***

**Reflects $50M in revenue bonds supported by newly appropriated debt service, plus $100M additional revenue bonding capacity created by retirement of financing (10-year note) entered into in FY22.*

This State-supported debt service would be used to pay down 10-year low-interest revenue bonds, issued by an independent authority on the collective behalf of the three institutions, which would greatly benefit from the scale of the issuance of a single large revenue bond that they would not be able to realize on their own. This would create a funding mechanism similar to what exists for public higher institutions in some others states and for some types of public facilities here in Maine. Unlike financing currently done through MHHEFA in which the borrowing institution pays down the debt, in this case the State would be the creditor.

The Task Force proposes that 10 percent of the revenue generated through this new funding mechanism be automatically allocated to MMA, 15 percent to MCCS and 20 percent to UMS. The remaining 55 percent would be allocated using an objective, data-driven formula and with final approval by consensus of the leaders of the three organizations.

While ultimately the respective institutions would select the capital projects supported by their allocation, the intent would be for this funding source to support deferred maintenance that would:

- Extend the useful life of current capital assets.
- Enhance campus public and life safety and accessibility.
- Generate operational cost savings.

If the Legislature advances this recommendation, the three systems are prepared to work together to develop the allocation criteria and draft any necessary legislative language to establish the finance administrative authority. Representatives of the Task Force held several meetings with staff and counsel for the Maine Health and Higher Educational Facilities Authority and its related authorities to discuss this proposal. While none of their existing programs are a perfect match for what the Task Force is proposing, there was general agreement that they would be the most appropriate partner and were willing to work with UMS, MCCS, MMA and the Legislature to advance this mechanism.

Having a predictable stream of revenue to address deferred maintenance would create certainty for the three public higher education systems, as well as the contracting community. Over the next five years, this debt service alone would support $150 million[1] in backlogged improvements to Maine's public universities,

[1] After issuance and interest costs, it is estimated that the total amount of renovations and repairs supported by $150 million in debt service would likely be around $130 million. Given the proposed allocation model, the smallest organization (MMA) would receive no less than $13 million during the five-year period.

community colleges and maritime academy that would otherwise go unfunded, but would be transformational.

Recommendation Three: UMS, MCCS and MMA should continue seeking regular general obligation bonds for projects with statewide benefit but do so with greater coordination.

While the intense competition for general obligation bonds makes this a highly unpredictable funding source that challenges strategic capital planning, ultimately the Task Force was in agreement that given the extent of need, GO bonds must be utilized to support infrastructure projects at Maine's public postsecondary institutions.

Because these bonds need the support of two-thirds of the Maine Legislature, the Governor and a majority of statewide voters, the Task Force agreed that this funding source would be most appropriate for large projects that directly addressed a widely understood statewide need and had tangible statewide benefits, instead of deferred maintenance. An example of this was the 2014 ballot measure that authorized an $8 million bond issue to support Maine agriculture, facilitate economic growth in natural resources-based industries and monitor human health threats related to ticks, mosquitoes and bedbugs through the creation of an animal and plant disease and insect control laboratory administered by the University of Maine Cooperative Extension. That bond passed with more than 60 percent of the vote during a gubernatorial election in which Maine led the nation with 58.5 percent of voter turnout.

It was also agreed that to the extent practicable, the UMS, MCCS and MMA should coordinate their bond requests.

Finally, the Task Force was optimistic that a sustainable funding solution for the state's transportation system would be advanced through the work of the *Blue Ribbon Commission To Study and Recommend Funding Solutions for the State's Transportation System* that is currently meeting. This would make available considerable GO bonding capacity for other critical State priorities including education and innovation.

Recommendation Four: Do not levy student fees or raise tuition specifically to fund deferred maintenance unless absolutely necessary due to inadequate State support.

The Task Force spent significant time discussing student fees as a means of generating needed revenue to support capital projects. Each system has contemplated levying student fees in the past but all separately determined that it was contrary to their public missions and commitment to affordability and access for Maine families to do so. While students have occasionally voted as a body to support additional fees for specific projects at their campus, like a new state-of-the-art recreation center, they would be unlikely to want to pay for deferred maintenance, even though it would most improve their overall student experience. Campus-specific fees could challenge the MCCS commitment to having consistent tuition prices across its seven campuses and a tiered tuition within the UMS. Furthermore, the fees would have to be significant to generate a meaningful amount of revenue. For example, to raise $10 million, a $15.81 per credit hour fee would need to be charged at the UMS, costing a full-time student (30 credits per year) an additional $474 annually.

The Task Force agreed that initiating student fees should only be used as a last resort if State funding for facilities does not improve.

CONCLUSIONS

Maine's economic success is built upon a strong public education system from PreK through postsecondary degree/credential. The state's people and prosperity depend upon a skilled workforce – produced by Maine's public universities, community colleges and maritime academy.

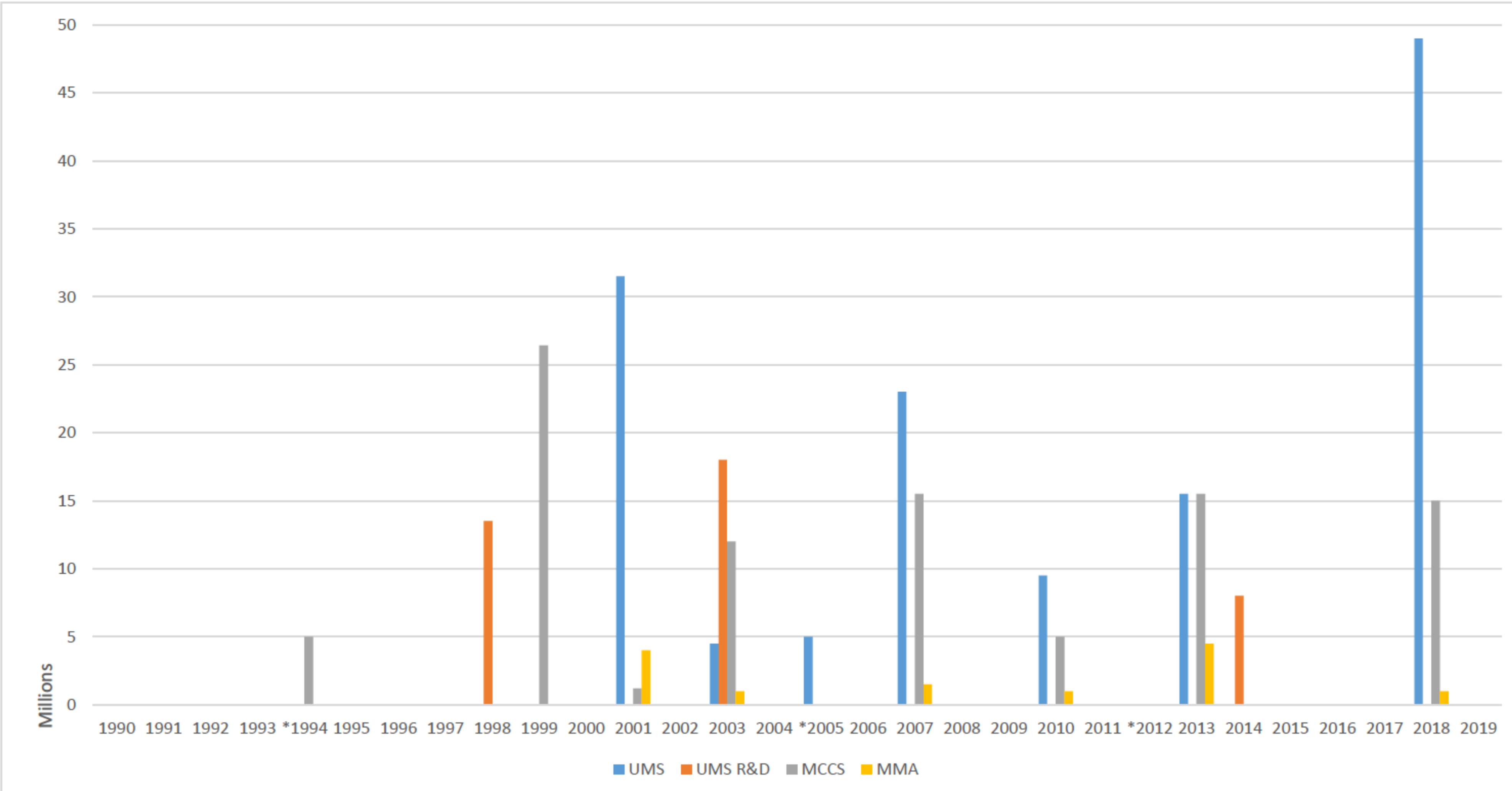
Campus appearance and quality impact perception of value and relevance and are key factors in choosing a college and staying through degree completion. **Adequate, sustainable and predictable funding for public higher education facilities in Maine has been seriously deficient and limits the competitiveness and success of these institutions, their students and the state's economy.** Most notably, it challenges recruitment and retention of students, faculty/staff, and industry partners who are drawn to the hubs of talent and innovation created by the presence of postsecondary institutions – especially those with a research focus like the University of Maine.

Were the UMS, MCCS and MMA to have to fund capital maintenance at recommended levels without new State appropriation, it would result in a serious decrease in programs and positions <u>and</u> significant increase in tuition and fee costs that would make higher education and the opportunities it creates inaccessible for the people of Maine. **Maine must address its public higher education and workforce training infrastructure crisis in a strategic and sustainable way, and one that does not place the burden directly on its students and their families.** Through recent capital planning, prioritization and efficiency initiatives, Maine's public postsecondary systems have proven their commitment to using funding efficiently and effectively and can be trusted to do so if additional funding is made available.

The Task Force offers that the recommendations outlined here are reasonable and reflective of the fiscal and political practicalities. They rightly put the responsibility for stewarding these State assets both on our campuses and in the Capitol. We believe failure to invest now will cost Maine far more later, which our state can ill afford.

If we are to keep our young people here in Maine, if we are to provide them with the training and skills they need to be competitive, and if we are to attract more people from out-of-state to come here to study and – we hope – stay to build their careers and lives, their postsecondary education must be affordable and delivered in safe and modern classrooms and laboratories.

Maine Public Postsecondary 30-Year General Obligation Bond History



In 1994, a bond for the UMS was overwhelmingly rejected by voters and bond questions to jointly benefit the UMS, MCCS and MMA were narrowly defeated at the ballot box in 2005 and 2012.