



**University of Maine System Testimony Presented by Chancellor Dannel Malloy  
In Support of Governor's Proposed FY24-25 Biennial Budget (LD 258)  
February 13, 2023**

Senators Rotundo and Rafferty, Representatives Sachs and Brennan, and esteemed members of the Joint Standing Committees on Appropriations & Financial Affairs and Education & Cultural Affairs: My name is Dannel Malloy and I am the Chancellor of the University of Maine System (UMS). I am here today to speak in **strong support of the investment Gov. Mills' biennial budget (LD 258) proposes in our public universities and Maine talent development and innovation for the future.**

The need to grow the size and skill of the state's workforce is the most pressing problem facing Maine. While the challenge is complex, as we have seen with the double-digit increase in community college enrollment following passage of free two-year public college last year, the Legislature's policy and investment decisions can make a meaningful difference. Providing free community college and fully funding the State's share of public PK-12 education last session was in direct response to the needs of Maine people and employers to reverse pandemic learning losses and better prepare our state's students for success in the workforce.

The Governor's proposed FY24-25 funding increase for UMS doubles-down on those important investments and is an acknowledgement that **the affordable, high-quality baccalaureate and graduate education provided by our public universities is the most proven path to social mobility for Mainers and to economic prosperity for our state.**

After all, **our System is the largest contributor to the state's workforce, having conferred 56,000 in-demand degrees** in just the past decade, led by those for professions that most directly strengthen our communities and our economy, including nursing and healthcare, business, engineering and education. **Working age alumni of our flagship, the University of Maine, earn more than double the state's average median income and pay nearly 50% more in state income taxes.**

As Gov. Mills has publicly stated, her biennial budget also begins to more seriously **address the historic underfunding of public higher education in Maine.** Three decades ago, State appropriation covered 72.5% of the UMS operating budget, and tuition and fees 23%. In the years since, the State's share has dramatically declined, placing an increasing burden on our students — nearly half of whom qualify for federal Pell grants because of their exceptional financial need. Since the Great Recession, the appropriation for UMS has increased annually on average by 1.2% (not adjusted for inflation) and despite a higher rate of increase over the past five years (2.9% on average), still supports far less of our operating costs (43%) than tuition (48%).

At the same time, consistent with our public mission and commitment to access and affordability for all Mainers, **UMS has held in-state tuition flat eight times in the past 12 years.** We are proud that, with your support — notably the appropriation provided to offset a tuition increase in FY23 that the Governor's budget would appropriately make permanent — we have been able to limit the inflation-adjusted growth of UMS tuition and fees to one of the

slowest increases in the nation. UMaine is the most affordable flagship in New England. Fewer UMS students are taking out loans, and those who do are borrowing less.

Despite these affordability advancements, UMS overall enrollment is declining, with fall 2022 credit hours down 17.3% from five years ago. We attribute this to a range of reasons, including, but certainly not limited to, the region's demographics, fewer Maine high school students going on to college, free community college, financial uncertainty, student debt rhetoric, workforce opportunity, and competition from better-resourced peers with more modern facilities. Those include private institutions in Maine, and public and private institutions throughout the Northeast.

As you can appreciate, the combination of declining tuition revenue and relatively modest appropriation increases amid more-rapidly rising compensation costs and other essential expenses has challenged our campuses' ability to balance their budgets, let alone make strategic investments for the future.

I know many of you share my deep concern about the condition of our aging campuses; our inability to fill vacant faculty and staff positions; and the critical need to invest more in our people and programs, including academic and mental health supports for our students — 40% of whom are the first in their families to attend college. And the necessary retrenchments of nine faculty last spring at the University of Maine at Farmington, where enrollment had declined 30% over the previous decade, remains extremely difficult.

#### **UMS Educational & General Activities (A-644)**

The 4.5% year-over-year increases proposed for UMS Educational & General Activities on A-644 are consistent with the operational increases the biennial budget also provides for the Maine Community College System and Maine Maritime Academy. The additional \$9.5M in FY24 and \$19.5M FY25 for UMS is necessary for us to meet our commitment to fairly compensate our dedicated faculty and staff across our six bargaining units who directly serve our students and our state. It will also assist in covering other inflationary costs. For example, **UMaine anticipates having to pay as much as \$5.4M more just for electricity and natural gas next year, while the University of Southern Maine is expecting a \$2.5M increase in its energy bill for campuses in Gorham, Lewiston and Portland.**

As noted above, the budget also carries forward the targeted \$7.9M appropriation (A-644) that was provided by the 130<sup>th</sup> Legislature to offset an in-state tuition increase in FY23 this current academic year. The base loss of revenue from not increasing tuition this year as our universities had planned will impact their bottom lines in perpetuity. Continuing this appropriation is critical to our ability to minimize the size of future tuition increases and ensure a high-quality public university education in Maine remains within reach for all Mainers. Failure to secure this funding on an ongoing basis would be devastating to all of our universities and would reflect a reduction in our State appropriation more than three times what was curtailed in FY21 because of the pandemic.

I want you to know our System is doing its part to live within our means. We have recently offered an early retirement incentive to reduce ongoing compensation costs, of which 149 faculty have availed themselves. We are decreasing our facilities' footprint and through investment, also our energy usage, especially of fossil fuels. We are leveraging our unified

accreditation to establish efficiencies that also improve our students' experience and outcomes, like sharing a financial aid director among UMaine and our universities in Fort Kent and Presque Isle, and centralizing some student financial services. And our talented faculty and staff have increasingly been successful in securing significant external funding that leverages State appropriations, including through competitive federal grants, congressionally directed spending, business and industry contracts, and philanthropy.

And with your full support for the UMS initiatives in the biennial budget, we will be able to **strategically invest to not only sustain our universities as cornerstones of their communities in special places like Machias and Farmington, but to evolve and grow to meet the changing needs of students and employers.**

For the first time, we are starting to undertake System-level marketing and are promoting more multi-university collaborations that can expand access to high-need education and training programs. The University of Maine at Augusta, for example, has brought its dental programs and free or low-cost dental care for the community to USM's Lewiston-Auburn campus, and Maine Law is now co-locating with the UMaine Graduate School of Business closer to the courts and commerce in downtown Portland. We see tremendous opportunity to better meet the upskilling needs of working adults and to continue the enrollment growth UMS has experienced over the past five years among students from out-of-state and those who are taking early college, graduate and online courses.

Aided by a generous gift from the Harold Alfond Foundation and your investment in campus capital projects, we are doubling our output of engineers and computing and information science professionals. We've launched an innovative teacher residency program to place aspiring educators directly into Maine schools while retaining them in our high-quality educator preparation programs. We have new early college pathways and accelerated programs for paraprofessionals like State Child Development Services employees to expose and prepare more Mainers for the educator workforce, including early childhood education. We are increasing our law school enrollment to expand access to justice and commerce, with a focus on the rural attorney workforce through our new Fort Kent legal aid clinic that opened last month with the support of the 130<sup>th</sup> Legislature, Gov. Mills and Attorney General Frey. And, we are launching new in-demand degree and certificate programs, like those in sustainable food systems and human-centered technology design at UMaine, industrial engineering at USM and health administration at the University of Maine at Presque Isle.

All of these efforts, and Maine, will be furthered by your investment in UMS.

### **Maine Economic Improvement Fund (A-646)**

The Governor's budget proposal also includes an additional \$3M for commercially promising public university research and development (R&D) through **the Maine Economic Improvement Fund, known as MEIF (see A-646)**. I want to recognize the foresight and vision of Appropriations Committee member Sen. Rick Bennett who, along with colleagues from both sides of the aisle, including Sen. Mark Lawrence, established MEIF 25 years ago in recognition of the unique role of UMaine R&D in driving and diversifying private sector growth.

**It has been an investment that has paid incredible dividends for Maine.**

Today, **MEIF generates at least a 6:1 return for Maine** and creates the capacity at the now-R1 UMaine and across our System to prepare our state's knowledge and technical workforce, and **help hundreds of companies each year to develop new products and processes they need to stay competitive in a global economy, and sustain and grow great-paying jobs here in Maine.** Thanks to the ongoing MEIF investment, our small rural state is home to researchers and innovators of global importance and impact, working here and around the world to solve "wicked problems" of local relevance, like how to adapt heritage industries for changing markets and climates, manage and mitigate PFAS, detect cancer earlier, and even 3D-print affordable housing entirely from wood waste.

As you have heard from Joan Ferrini-Mundy, the incredible UMaine President and our System's first Vice Chancellor for Research and Innovation, more than 99% of Maine businesses are considered small businesses, and many lack their own R&D operations. In this way, while all public flagship research universities across the country are especially critical to the success of their home states, **UMaine's statewide R&D enterprise has an outsized influence on Maine's economy.** As Maine job creators like Blue Hill Bay Mussels, Grover Precision in Oxford, and Sappi in Skowhegan and Westbrook have attested, our university labs are an extension of their own physical plants and our researchers are part of their teams, working together to solve problems, generate new ideas, and commercialize and catalyze innovation.

At the center of all this cutting-edge activity are our students. Their hands-on research learning in our labs and with Maine companies starts as early as their first year on our campuses and differentiates our universities from others across the nation where research is typically at the graduate level. These exciting experiences help retain Maine's best and brightest, and draw more talented students and faculty to Maine, especially now with UMaine's R1 status. More importantly, it prepares our graduates to be leaders, problem-solvers and innovators in the Maine workforce and even start their own Maine businesses, like Ferda Farms, Kinotek and Marin Skincare — which utilizes lobster glycoprotein to treat clinical skin conditions.

With all the great things happening here, it may be hard to believe that Maine ranks 44<sup>th</sup> among the 50 states in R&D spending, investing just 1% of GDP compared to the 4.8% New England average. Last year, the Governor and Legislature approved an additional \$2M for MEIF, the first increase since FY16. Thank you. The increase further proposed for FY24 follows calls from the Maine State Chamber of Commerce, the Maine Economic Growth Council, and businesses large and small to more **boldly increase investment in UMS research as part of a larger goal of tripling Maine's overall R&D spending by 2030.**

**Additional support for MEIF will accelerate our universities' activities to drive discovery; spur more innovation and entrepreneurship; create more and better jobs; and expand opportunities in our state that will help strengthen Maine's communities and quality of life, and make our economy grow more quickly.**

Before I close, I would like to draw your attention to several initiatives for which there is no increase proposed and which are critically important:

- **UMS Debt Service (A-643)** supports payments on revenue bonds issued by UMS to finance capital projects, including the world-class UMaine Ferland Engineering Education and Design Center that opened in 2022. **Our System currently has \$1.3**

**billion in deferred maintenance and imminent infrastructure need. More than half of our public facilities and three-quarters of our residence halls have not been meaningfully renovated in at least 50 years.** This challenges our recruitment and retention efforts, and our ability to conduct 21<sup>st</sup>-century education and research, let alone meet basic health and life safety standards and ADA requirements. The debt service increase provided by the 130<sup>th</sup> Legislature is already making a difference with improvement projects underway across UMS supporting local construction jobs and contractors.

While there is currently no new initiative, Maine's need for our public System's infrastructure to be modernized has never been greater. We look forward to discussing the potential impact that a \$100M bond (LD 460), championed by Sen. Teresa Pierce and kindly co-sponsored by a number of you, could have on increasing UMS program enrollment and student success, producing more skilled workers and research-driven innovation for Maine employers, and benefiting the public. If bonding is not possible, utilization of our debt service mechanism is an alternative to address our serious need and leverage our ability to borrow at competitive rates and private giving, without requiring the State's full faith and credit.

- The **Labor and Community Education Center (A-645)**, known as the Scontras Center in honor of Dr. Charles A. Scontras, was established by the 130<sup>th</sup> Legislature to advance workforce development through education and outreach, research and technical assistance for Maine workers, with a focus on essential workers and new Mainers. Following USM's development of a plan in collaboration with the AFL-CIO, area adult education and community colleges, and other external partners, the center was authorized by UMS Trustees this fall. Hiring is underway, and the center's activities will commence when key positions are filled.

On behalf of our more than 24,000 enrolled students, 4,700 employees, and the companies and communities whose success depends on UMS talent development and innovation, I urge your support of our requests. And I encourage you to let your constituents know about the incredible opportunities at Maine's public universities that are within their reach thanks to your investment.

Thank you, and I look forward to your questions.