



**University of Maine System Testimony
In Support of Governor's Proposed FY22-23 Biennial Budget (LD 221)
Presented by Dannel Malloy, Chancellor of the University of Maine System
February 23, 2021**

Senators Breen and Daughtry, Representatives Pierce and Brennan, and distinguished members of the Joint Standing Committees on Appropriations and Financial Affairs and Education and Cultural Affairs: My name is Dan Malloy and I am the Chancellor of the University of Maine System (UMS). **I am here today to speak in the strongest support of the investment Governor Mills' FY22-23 biennial budget proposes in Maine's public universities – the state's largest driver of social mobility, economic recovery, and innovation for the future.**

One year ago, I stood before many of you at a supplemental budget hearing, warning of the challenges flat FY21 appropriation created for our universities, especially given our additional \$11.5 million in collectivity bargained personnel costs and our commitment to Maine's students and their families to limit tuition increases to the rate of inflation. At the time, our System had begun planning for the novel coronavirus that had just closed all schools in Japan, but we never could have imagined the devastation the pandemic would inflict on the American people or the global economy, or that so many would still be suffering today.

Since Maine's first positive case in mid-March, the UMS has incurred more than \$100 million in COVID-related revenues losses or new expenses. Let me repeat that: \$100 million. This includes \$27 million for testing and tracing costs, \$26.8 million in lost room and board revenue in part because of occupancy limitations, \$30 million in research redirection and downtime, \$5 million in State curtailment and slot revenue reductions (as reflected on Page A-491 of the budget document), and millions more for pandemic pay, PPE, and unbudgeted technology upgrades to support remote and hybrid instruction. Thanks to the leadership of Maine's Congressional Delegation and the Governor, we have been fortunate that some of these costs have been offset by the federal aid that has come directly to our universities from the U.S. Department of Education or through the Mills Administration, but the \$39.2 million in total relief to date falls far short of our significant need. Even if the President's American Rescue Plan passes as proposed, the financial impact of the pandemic to our System this year will still be equal to the combined annual operating budgets of the Universities of Maine at Fort Kent, Machias, Presque Isle and School of Law. This does not account for further losses if we are unable to be open with normal capacity and conditions this coming fall.

Thanks to prudent fiscal management and relatively stable enrollment in recent years, we have so far not passed any of these COVID costs on to our students – nearly half of whom are the first in their families to attend college. In fact, to keep quality higher education affordable and accessible for all Mainers including displaced adults, we've made a record \$95 million in financial aid available this year in small part using funds provided through the license plate sales and slot machine proceeds including in the initiative on Page A-491, and expanded programs that raise aspirations and rates of degree completion and reduce debt, like early college. And we have continued to honor our contractual commitments to our 4,700 employees, who like our students, have demonstrated remarkable resilience throughout the pandemic.

Educational & General Activities (Page A-488)

The flat, pre-curtailement FY21-level appropriation for UMS Educational and General Activities proposed on Page A-488 of Governor Mills' budget protects our public institutions from deeper financial harm and preserves the State's longstanding strategic investment in its largest educational and research enterprise. We urge you to join the Governor in supporting a budget that recognizes the role of our universities in advancing opportunity for all Maine people and accelerating economic recovery.

But I must be clear: while flat funding instead of the deep cuts we'd initially been told to plan for eases our financial challenges, it does not solve them. As we enter a new round of labor negotiations with our six bargaining units and our Trustees prepare to set tuition rates for the 2021-22 academic year, we must be honest with you and our campus communities about the difficult decisions ahead.

Over the last decade, our State appropriation has increased on average less than 1% year-over-year, and like our tuition rates, have actually decreased when adjusted for inflation. At the same time, the compensation costs that account for more than two-thirds of our operating expenses have steadily risen, with our full-time faculty, for example, receiving annual increases of between 1.5-3% each year. This revenue-expense balance is simply not sustainable, especially given our physical plant's \$1 billion dollar backlog in deferred maintenance and imminent need that must be addressed to meet federal accessibility requirements and basic health and life safety standards, let alone actually be competitive in attracting the best and brightest students.

As the Legislature prioritizes investments that will yield the greatest return for Maine's future, sustained – and I would argue, growing – funding for public university education and research must be paramount. Whether you look at the 10-year state strategic plan or the Economic Recovery Committee's recommendations, **the path to prosperity for Maine and its people starts with bold investments in talent development to prepare Mainers for high-demand, good-paying jobs and in commercially promising research and innovation that leverages key sectors of strength like our natural resource-based industries.** And there is data to support this. In the first six months of the pandemic, employment among Maine's low-wage workers who typically lack a postsecondary or credential fell 27.6%, while employment among middle- and high-wage workers actually increased with high-wage professionals, who usually have a four-year or advanced degree, seeing a double-digit rise in employment. Just last week, a study was released showing that University of Maine alumni pay 49% more state income tax than the statewide average, and consistent with the 10-year plan's goal of growing wages by 10%, the median income of working-age Black Bear alumni is more than double the state's overall median income. **In the last decade, our universities have conferred 55,982 degrees, with the greatest number of graduates in fields that directly strengthen our communities and our economy, led by nursing and health professions, business, education and engineering.**

I often say that while you could have worked in higher education for any length of time over the past century and never have encountered a global pandemic, I was lucky enough to experience one in my first year. And I really mean that. While the financial fallout has been unlike anything our universities have ever faced, so too has the opportunity presented by the pandemic to show the

people of Maine the positive impact our institutions can have on their lives. From our initial decision last March to close our campuses to the vaccinations our nursing students are voluntarily administering at this very minute in your communities, we have acted with the best interest of Maine in mind and have been guided by science.

Our universities have put students and employees first, among the first in the nation to reimburse our students pro-rated room and board charges, which we did within two week of the closure of our residence halls to the tune of \$12.8 million. We are also among the first to distribute federal CARES emergency aid, sending direct payments of as much as \$675 to more than 20,000 students within days of receiving those dollars. We maintained pay and benefit stability for both regular and student workers. And to ensure we could provide high-impact in-person instruction and meet basic needs like food and housing while keeping students, employees and the public safe, we've stood up an aggressive asymptomatic testing operation, administering some 75,000 COVID tests to date and maintaining a positivity rate well below Maine's, making our campuses among the safest places to be. This has allowed us to remain open for students and research activities, to support highly dependent local economies, and to hold the line on enrollment.

While we were supporting the success of our students – whose course completion rate was on par or even better than in pre-COVID semesters thanks to their extraordinary efforts and that of our faculty and staff – we were stepping up to uniquely serve the state. I hope you are already aware of our contributions to Maine communities throughout the State's emergency, but I'd like to take a minute to remind you of just a few of the many ways we made a difference. Our universities:

- produced thousands of gallons of hands-sanitizer for Maine hospitals and healthcare organizations in partnership with local breweries and distillers, and chemicals used by the National Guard to fit-test the N95 masks of 4,000 frontline workers;
- turned hundreds of school and library parking lots into Wi-Fi hotspots and upgraded 300+ PK-12 schools to high-speed connections to support remote and hybrid learning;
- converted gymnasiums into 24-7 shelters for those experiencing homelessness;
- helped CDC stand up its contract tracing program and conduct outbreak investigations,
- provided technical assistance to hundreds of businesses from kelp farmers to large manufacturers to pivot to new products and new markets, and navigate new regulations and aid;
- represented legal aid clients virtually to obtain life-saving protection-from-abuse orders;
- and deployed hundreds of nursing students to staff virus hotspots and now to administer COVID vaccines at sites across the state, including to you and your loved ones.

As a system of public universities, we have a public service mission, and the examples I just shared show what we have done for Maine's citizens, companies and communities when they needed us most. These actions were possible only because of decades of past State investment by you and your predecessors, including in the research enterprise that was so critical to much of our service. For this reason, I again urge you to sustain our funding, including for the Maine Economic Improvement Fund (Page A-489), which our research university's president, Joan Ferrini-Mundy, will testify about next.

Amidst this most historic year, we achieved two other incredible milestones. We became accredited as a system, unifying the previously separate institutional accreditations of the public universities that together make up the UMS, allowing us to better share academic and other

resources across our institutions for the benefit of all students and the state. And we secured the largest-ever philanthropic investment in a public institution of higher education in New England when the Harold Alfond Foundation committed \$240 million over a dozen years to help transform our ability to meet Maine's most pressing higher education, workforce and economic needs. I know some will consider it unwise for me to mention a gift of this magnitude in the same breath that I am imploring you to maintain our appropriation. I should be clear that the Alfond award cannot be used for normal E&G operations. It was, however, a recognition that no organization is more central to Maine's success at this critical moment than the University of Maine System, and in particular our engineering, computing and information science, and graduate and professional programs that integrate law, business, and public and health policy.

The Alfond funds, which require a dollar-for-dollar match from public and private sources, do not supplant State appropriation and are in fact only possible because of it.

Debt Service (Page A-488) and Part PPP

The Legislature's past investment, including the flat debt service initiative on the top of Page A-488 used to support revenue bonds for a number of projects, including the Ferland Engineering Education and Design Center now under construction at UMaine, positioned us for the generous Alfond gift. Public investment into the future will be critical to our ability to leverage it fully. It is also in large part why we are asking you for the language changes in Part PPP to clarify that any UMS borrowing for which the debt service is being paid by an external party, like the Legislature or the Alfond Foundation, does not count against our statutory limit, which we acknowledge was raised two years ago. We look forward to discussing this in detail with you at the work session, but it is most important for you to know that UMS-issued debt is not backed by the full faith and credit of the State of Maine. **Last year, S&P affirmed our AA- rating and stable outlook for UMS revenue bonds, allowing us to borrow at highly competitive rates. The agency noted the strength of our pandemic response, our enrollment outlook, and our low debt ratios relative to peer institutions.**

Casco Bay Estuary Project (Page A-487)

Finally, I need to draw your attention to one last item, which is actually first among the UMS budget initiatives and can be found on Page A-487. There is no proposed increase in funding for Casco Bay Estuary Project, a cooperative effort within the University of Southern Maine's Muskie School to protect and restore the water quality and fish and wildlife habitats of Casco Bay and its watershed while ensuring compatible human activities. This program is of great importance to the environmental and economic vitality of the watershed, which encompasses 41 municipalities and 985 shoreline miles. Its director was among two dozen scientific experts from our System that informed development of the Maine Climate Action Plan, another of the many ways we can and do uniquely add value to what matters for Maine.

I want to close by thanking you for your partnership with the University of Maine System, which has made possible the activities and accomplishments of the past year and will be called upon even more in the future as we chart the state's economic recovery by providing equitable access to education for all Maine people. With that, I welcome your questions.



University of Maine System's COVID-19 Response

Statewide leadership in Maine's fight against a global pandemic

PUTTING STUDENTS & EMPLOYEES FIRST

"Since the beginning of this crisis, my professors, as well as campus and System leaders, have been committed to keeping the needs of students front and center." –UMFK Nursing Student Irene Neal

- Reimbursed students \$12.8M for prorated room/board within two weeks of campus closure.
- Ensured pay and benefit stability for regular employees and student workers.
- Led the nation in distribution of federal CARES emergency aid, providing direct payments of as much as \$675 to 20,000+ students.
- Transitioned 210,000 credit hours online in just 10 days and saw 98.5% course completion rate in the spring semester and 97.8% in the fall.
- Provided pass/fail options in both spring and fall semesters in recognition of extraordinary transitions experienced by faculty and students.
- Conducted 40,000+ COVID tests and wastewater monitoring to limit virus spread on our campuses and in the community and safely deliver high-impact in-person instruction.
- Held 20% of residential space aside for isolation and quarantine and provided ongoing support service to those impacted.

PARTNERSHIPS TO PROTECT PUBLIC HEALTH & SUSTAIN THE STATE'S ECONOMY

"We would not have been able to weather this storm were we not able to shift gears to produce hand sanitizer by working with the university." – Jesse Lupo, Mossy Ledge Spirits, Etna

- Manufactured 4,000 bottles of testing solution used by Maine National Guard to perform required fit tests of N95 masks for first responders and frontline health care workers.
- Created 200+ free Wi-Fi hotspots in Maine school and library parking lots and are currently upgrading 300+ PK-12 schools to gigabit speeds.
- Produced thousands of gallons of in-demand hand sanitizer at UMaine and distributed to more than 100 health care organizations statewide, while providing technical assistance to dozens of Maine breweries/distillers to make their own.
- Converted campus gyms into 24-7 shelters for individuals experiencing homelessness.
- Deployed nursing faculty and students to staff virus hotspots, help PK-12 school nurses do COVID screenings and now administer vaccines.
- Graduated in-demand nurses and medical lab techs early to support entrance into workforce.
- Donated thousands of pieces of PPE and other needed medical supplies including ambulances to health care organizations, and local, county and tribal governments.
- Provided epidemiological support to Maine CDC, including co-leading State's contact tracing program and outbreak investigations.
- Conducted economic forecasting and analysis to inform local, state and industry officials.
- Represented legal aid clients virtually to obtain life-saving protection-from-abuse orders.
- Launched an online directory through UMaine Extension to connect Maine consumers to 450+ local farms and seafood producers.
- Gave technical assistance to hundreds of Maine businesses from kelp farmers to large manufacturers to pivot to new products and new markets, and navigate new regulations and aid.

\$100M+ In Pandemic-Related Losses & New Expenses

- \$27M Testing & Tracing
- \$14M Room & Board Losses
- \$12.8M Student Reimbursement
- \$30M Research Losses
- \$5M State Funds
- \$12M Pay, PPE, Tech & Other

\$39.2M In Relief

- \$8.9M CARES Act
- \$22.3M Year-End Fed. Relief
- \$8.1M ME Reimbursement (CRF)

Please direct inquiries to UMS Government Relations Director Samantha Warren at samantha.warren@maine.edu.