



University of Maine System Testimony in Support of LD 210, An Act Making Unified Appropriations and Allocations from the General Fund and Other Funds for the Expenditures of State Government and Changing Certain Provisions of the Law Necessary to the Proper Operations of State Government for the Fiscal Years Ending June 30, 2025, June 30, 2026 and June 30, 2027 (FY26-27 Biennial Budget) Presented by Chancellor Dannel P. Malloy, February 7, 2025

Senators Rotundo and Rafferty, Representatives Gattine and Murphy, and distinguished members of the Joint Standing Committees on Appropriations & Financial Affairs and Education & Cultural Affairs: My name is Dannel Malloy and I am here today to speak in **strong support of the investment Governor Mills' biennial budget (LD 210) proposes in Maine's engine of economic mobility – the University of Maine System (UMS).**

Maine's public universities are the most affordable in New England. 30% of our in-state undergraduates are paying no tuition and fees this year. We are **directly admitting promising Maine high school students and now also guarantee admission to graduates of Maine community colleges.** And our relentless focus on the success of our students has led to the highest System retention rate in our history, meaning more Mainers will enter the workforce with the knowledge, skills, and credentials that employers expect and that lead to higher earnings for their families and more tax revenue for the State.

In the last five years, UMS has granted nearly 30,000 door-opening degrees led by those in business, education, health care, and engineering/computing. **Our alumni earn more than double the state's average median income and pay 49% more in Maine income tax.**

Despite the disadvantages of demographics and our crumbling campus infrastructure, our System is experiencing its highest enrollment since 2021 (25,286 students), with the first undergraduate enrollment gains in at least two decades. This fall, UMS welcomed the most transfer students in a decade, the largest incoming law class since 2008, and the most graduate students ever. Additionally, a record number of Maine high school students are raising their aspirations and reducing their time to a door-opening degree and the workforce by earning free credit through UMS early college (see Language Page 3, Postsecondary course payments). Our growth is a result of responsive new academic offerings — some entirely online, like the University of Maine at Presque Isle's YourPace, innovations in recruitment and retention, partnerships, and our unmatched value proposition.

Our public universities are making unprecedented progress for the state at an unprecedented pace for higher education.

Maine cannot afford to let up now.

UMS Educational & General Activities (Part A-636)

The 4% increase for Maine's public universities in the Governor's FY26-27 biennial budget is consistent with the base increases also provided for the Maine Community College System and Maine Maritime Academy. Notably, this is less than the 6% increase our

System requested and substantially less than what is necessary to cover our contractual commitments to our nearly 13,000 dedicated faculty, staff, and student employees.

The impact of collectively bargained wages and benefit increases is estimated to exceed \$16 million just in FY26 (not including Paid Family & Medical Leave premiums), well above the \$9.58 million (4%) included in the biennial budget. **Sustaining the Governor’s proposal is critically important to mitigating the impact of these compensation costs and other inflationary increases on our students.**

You will hear directly from them why it is so important that you maintain affordable access to Maine’s public universities.

Let me just say that 53% of all UMS undergraduates are eligible for need-based federal Pell grants — the highest percentage on record. 41.6% of our undergraduates are the first in their families to pursue a four-year degree. We are proud that our System’s first-generation student bachelor’s degree attainment rate is more than double the national average. For first-gen and other price-sensitive students, **State appropriation for our public universities at or above the levels proposed by the Governor is the surest way to promote student access and achievement, and a competitive Maine workforce and economy.**

Paid Family & Medical Leave (Part A-636)

Our System is one of the state’s largest employers and has seven statewide bargaining units. As we discussed with you in the context of the supplemental budget, Maine’s new mandatory Paid Family & Medical Leave program has been difficult to plan and budget for in the near term.

The employer contribution alone will cost UMS an estimated \$2 million annually, constituting an unfunded mandate if not subsidized as it is for other State workers. Please know we have been raising concerns about this cost impact with the Legislature since 2023.

We are also asking for your assistance with the employee premiums in the upcoming biennium (an additional \$2 million annually). That’s because while the enabling law was effective Oct. 25, 2023, the program rules were not released until May 2024 and did not become final until December, after we had completed negotiating three-year contracts that are effective 7/1/24-6/30/27 for our full-time faculty; professional staff; and clerical, laboratory, and technical staff. Solely as an interim measure, the System committed to covering the employee share for these workers starting on Jan. 1, 2025 but made clear in all-employee communications that future contributions “will be collectively bargained where appropriate and are subject to change.”

In April, UMS will apply to the Maine Department of Labor for approval of our existing leave benefits as a substantially equivalent private plan. We will keep your Committees apprised of any relevant developments that negate our need for this funding. In the meantime, to put the price of these premiums into context, UMS would have to raise student tuition by 2% just to cover these mandatory costs. We ask that you do not put this burden on the backs of our students.

I would also like to draw your attention today to several initiatives for which there is no increase proposed and which are critically important to sustain:

UMS Debt Service (A-635) supports payments on revenue bonds previously issued by the System (but not backed by the full faith and credit of the State) to finance capital projects. This includes the construction of the world-class University of Maine Ferland Engineering Education & Design Center that opened 2022 and is enabling us to double our output of in-demand engineering and computing professionals.

Maine's public universities are burdened by \$1.6 billion in deferred maintenance — nearly five times the combined need of Maine's community colleges and maritime academy. **More than half of our facilities and three-quarters of our residence halls have not been meaningfully renovated in at least 50 years, and 500,000 square feet of obsolete space is ready for removal** when demolition resources become available. The condition of our campuses is a crisis that challenges recruitment, retention, and our ability to deliver 21st-century education and sustain UMaine's prestigious R1 Carnegie Classification, let alone meet basic health and life safety standards and ADA requirements.

Given this tremendous need, UMS had requested our annual debt service appropriation be doubled. Alternatively, we are hopeful that if a bond package is pursued this session, it will include funding to modernize Maine's public universities to better support student success and meet the needs of the state's employers for more skilled workers and research-driven innovation. I would note there has not been a general obligation bond for our System since 2018, making this the longest period the State has not bonded to improve our infrastructure.

The Legislature established the **Maine Economic Improvement Fund (A-637)** to support commercially promising UMS research and development (R&D) activity and provide the basic investment needed to obtain matching funds and competitive grants, mostly from federal agencies. One needs to look no further than the Caribou Russet to know **MEIF has been an investment that has paid incredible dividends for Maine.**

Last year, our System leveraged its \$21.85 million MEIF appropriation to secure \$141 million in external grants and contracts in the seven strategic sectors — mostly at UMaine. Funds supported laboratories and researchers, including more than 1,400 students, who collaborate with Maine companies, like TimberHP in Madison, to solve their challenges, create new products and high-paying jobs, and increase productivity and profits. MEIF-funded UMaine research and extension is why Ron Howard, owner of Brodis Blueberries in Hope, says that for the first time in a long time, he now believes his family's ninth-generation wild blueberry farm will survive to be passed onto the 10th generation.

Consistent with the 10-year State economic strategy and the Measures of Growth, continued and growing investment in UMS research and development capacity, including through MEIF, will catalyze innovation and opportunity, attract co-investment, cultivate new talent, and improve Mainers' lives and livelihoods.

Finally, the **Labor and Community Education Center (A-637)**, known as the Scontras Center in honor of Dr. Charles A. Scontras, was established by the 130th Legislature. Based at the University of Southern Maine and consistent with its enabling legislation, the Scontras

Center advances workforce development through education, training, outreach, research, and technical assistance for Maine workers in partnership with labor and community groups.

We know you have tough choices ahead of you. Please know we, too, have been making tough choices.

At one time, the State funded 72% of our public system's operation. However, appropriations for UMS have decreased since the Great Recession when adjusted for inflation and now account for a smaller share of our revenue (about 45%) than from student tuition. According to federal data, **Maine spends less than the national average for public higher education per full-time equivalent (FTE) and invests even less per FTE enrolled in our universities than in the state's two-year public institutions.**

The System's current fiscal year budget is the first that has been balanced in a decade. Doing so depended on settling contracts well below what was requested by our unions; one-time savings; sharing of services, programs, and people; securing of more external funding through corporate, federal, and philanthropic partners; and new revenue generation that has not always proven popular with you and your constituents, including selling underutilized properties that are no longer essential to our mission and requiring payment for some parking. UMS has initiated a System-wide hiring freeze, retrenched faculty and staff, incentivized faculty retirement, and left hundreds of positions vacant.

While difficult, these necessary decisions recently **led S&P to affirm the System's AA-credit rating, noting our "prudent financial management policies" and that "senior leadership has made progress in rightsizing operations,"** as we will continue to do with sensitivity and in the best interests of our students and this state.

I want to end by recognizing that Governor Mills and recent Legislatures have made important investments in our state's public education system by fully funding 55% of PK-12 education and a free tuition program at Maine's community colleges. We generally support these initiatives, which are good for Maine students and should strengthen the educational pipeline on which our public universities rely. **It is now time for the State to address the needs and future opportunities of its largest educational and economic development enterprise, which is the University of Maine System.** As S&P concluded in its rating report, **"continued, growing support from the state for operating and capital needs is imperative to the system's long-term success."**

Our System's success is the state's success.

Maine needs more rural lawyers who can ensure access to justice and commerce, more teachers and early childhood and special educators, more skilled nurses and social workers, more scientists, more entrepreneurs, engineers, and cybersecurity experts, more allied oral health professionals, and more research-driven innovation that creates high-paying jobs and improves our environment and quality of life. For all this, and so much more, this state depends on its public university system, which must be adequately resourced to realize our full potential and Maine's.

We urge your support of the funding proposal before you for the University of Maine System. Thank you, and I look forward to your questions and working together.