Good morning and welcome to all who took the time out of their busy schedules to join us for breakfast on this beautiful late August morning in Maine.

This breakfast marks the kickoff of the new academic year. It is an exciting time, full of the anticipation of new students, new colleagues, new courses and approaches, and new beginnings.

I am encouraged that we are off to a good start – commissioning the Cyber Security Lab on Tuesday, with $1 million in grants from the National Science Foundation and the Maine Technology Institute to Professor Glenn Wilson.

And I have authorized the reinstitution of the Wall of Books, a way of recognizing the scholarship of our faculty, which Librarian David Nutty has been instrumental in achieving. I have started reading Professor Uzzi’s book on children in Rome – just waiting for the movie – just one of many fascinating books by USM authors.

And so many of you pitching in to reach out to past students who have not re-enrolled this fall. Professor Libby Bischof got great recognition for USM’s efforts both in the Bangor Daily News, and nationally in “Inside Higher Ed.”

We are going to continue the effort to the last possible moment, and invite all of you to join in a telethon to reach out to the still unenrolled on September 2nd from 11 a.m. to 3 p.m. either at 1 Payson Hall in Portland or at LAC.

Remember, recruiting and retention are everybody’s business.

And I am excited to be joined by our leadership team for this academic year. I ask you to stand and be recognized:

· Joe McDonnell, Provost and Vice President for Academic Affairs
· Martha Freeman, Chief Human Resource Officer/Chief of Staff
· Tom Dunne, Executive Director of Initiatives (looking for efficiencies and growth opportunities)
· Chris Quint, Executive Director of Public Affairs
· Dick Campbell, Chief Financial Officer
· Cecile Aitchison, Vice President for University Advancement

I am also delighted that Joyce Gibson, Dean of LAC, and Peter Pitegoff of the Law School have been joined by two new deans. Manny Avalos of the College of Arts, Humanities and Social Sciences and Jay
Graves of the College of Science, Technology and Health are here with us. We expect great things from all of them.

All have been charged to lead change in his or her sector, and to work together collaboratively for the benefit of all of USM.

I feel privileged to be joining you and to have an opportunity to make a difference myself in the noble work of this university, which is so important to the people of Maine — a reality I know firsthand because my wife of 40 years, Kaye, is a proud graduate of USM.

We have important matters to discuss today. At the start let me tell you how we have organized our efforts. I believe in plans and tracking them throughout to ensure we stay on a deliberate path to systematically address our challenges. The major work of this year is organized around four initiatives:

1. Operating with distinction - We have a commitment to students and teaching, research, the community, and each other. Our primary mission is to do with academic distinction what our students and the community need of us, for their own success.

2. Budget for the next fiscal year - We are just starting this new academic year but we must talk budget now, and start changes now, because we have major challenges ahead. The Board of Trustees requires each university to provide its proposed FY16 budget to them in January, 2015.

3. Build for the Future – We need to undertake several important initiatives to make this good place better. All our change efforts will be aimed at focusing and aligning our work together.

4. Communicate — In difficult times, communication is key, and I mean two-way communication. I have been in back-to-back meetings and calls with students, professors, administrators, legislators, Trustees, and community leaders since I arrived and I know many more will be needed.

5. As I mentioned a moment ago, there are many positive things happening here at USM right now on behalf of students and our communities:

· our Manufacturing Application Center;
· our Urban Teaching and Leadership Lab;
· the Model UN Program;
· LAC students’ recent South Africa trip;
· the Metropolitan University Steering Group collaboration;
· the service Professional and Continuing Education provides.

And so many more – UNUM Scholars, 3/2 with UMF, LAC’s presentation at the national OT conference, and achievements of the baseball, tennis, track, and basketball teams.

While I wish I could stand here and talk about all the positives of USM, we need to spend some time this morning facing up to some tough realities. This is too crucial a time in USM’s history to simply wish you well and lead a Husky cheer. This is a time to start a dialogue among serious professionals about how to save USM and grow it in a positive direction for the benefit of our students and the community of Maine.
**Finance - Our Economics**

Let me get right to it.

The enrollment figures are NOT good. We budgeted for a drop of 1.7% in credit hours. Instead, the numbers are down 6%.

This directly translates into an additional deficit of approximately $3 million for this year, FY15, even AFTER the infusion of $7 million from the System. Dick Campbell will have to work overtime to find that money.

But we will manage, and we will somehow close that gap.

However, these numbers have an even more ominous significance for FY16. We have to assume that next year's structural deficit will not be the $12.5 million everyone has been talking about over the past many months, but rather something more on the order of $15-16 million.

That's more than 13% of our entire budget.

It's more than the entire budget of the University of Maine at Fort Kent, for example.

Another way to look at it is, since 2010 we have lost more than the equivalent of 1,000 full-time students — well more than half the ENTIRE enrollment of places like Colby, Bates, or Bowdoin.

And to give further perspective to this situation, if cuts were divided roughly equally between faculty and non-faculty — (faculty is approximately half our payroll) - $16 million could translate into 67 teaching jobs at our average wage and benefits level of $120,000, and 100 salaried and hourly positions at an average compensation level of $80,000. Of course this is just an illustration. Not all reductions will come from personnel, and cuts may not be proportionate, (in fact we will cut strategically and NOT mindlessly across the board), but reductions will have to come from many sectors to make up this terrible projected deficit.

The truth is that entire UMaine System is shrinking. While some other schools in the Portland area are also shrinking, some of our competitors are growing. The University of New Hampshire is going gangbusters and there are reports that a big mid-Atlantic public university is looking to begin aggressively recruiting right here in Maine next year. So the situation is competitive and dynamic.

Some react to our trends by denying them — that somehow we are miscounting or miscalculating, as part of an evil plot to return everything to Orono. Sort of like climate-change deniers.

Others point to large reserves in the System accounts and ask for their release to solve our financial problems.

But unfortunately, those reserves are already spoken for — to support employee health care benefits, to fund workers compensation self-insurance, and to honor the scholarship and building bequests of the System’s many generous donors. It's true that over time a few of the System campuses have built up some modest reserves from their own work. However, it seems highly implausible that those campuses would have much enthusiasm for transferring the fruits of their labor to USM to fund business as usual.
down here. Moreover, while USM’s finances are the most problematic, all the campuses of the University of Maine System are facing budget troubles during these disruptive times in higher education.

There is a system-wide budget stabilization reserve fund. Last year it totaled $15 million. But unfortunately $11.6 million got eaten up balancing FY15 budgets, including our $7 million share.

I do not have a current calculation of what’s left, but I can assure you it is no pot of gold at the end of the rainbow that is going to solve our problems.

Another group thinks the cost savings proposed by the Faculty Senate last spring might be the panacea — but no such luck. At their most optimistic they claimed $5.6 million in savings, and the concepts were generally too optimistic, or too impractical, to address this year’s deficit, let alone the one looming ahead. Also, they relied on across-the-board cutting on the non-academic side.

To achieve needed focus and alignment in our course offerings and support services we must make strategic budget choices within all parts of our house.

In the debates around USM’s fiscal woes, we hear fault found in several places:

· with the System's system-wide services;

· or the Trustees' cap on tuition;

· or that the Legislature’s funding of higher education, which is now running at $179.5 million, down $6.2 million from the FY08 level, which of course is an even greater hit to our actual purchasing power when inflation is factored in.

We also hear concerns about the differential in the State subsidy between Orono and USM, roughly a $2,100 difference per student, which some have claimed, in effect, victimizes our students for their geography. The allocation among UMaine’s colleges is changing, but slowly.

There is certainly room for debate on this issue — I took it up in our 2009 Report on System Finances — but in the immediate future we need to focus less on getting a bigger share the pie, and more on recruiting, retention and growing the pie.

I will be at the Legislature next year advocating for greater funding for the higher education that is so vital to Maine’s economic development, and I hope you will be there, too.

All these factors are relevant, and demand our attention, and our advocacy, for reform and greater funding.

But complaining about them does not erase the deficit.

It shifts the argument from what to do to who’s at fault — an ultimately futile exercise that fails to address the root causes of our problems — enrollment, retention, and cost-effectiveness in the delivery of our services.
A Call for Change

We cannot allow this financial downward spiral to accelerate unchecked.

USM is simply too important to the people of Maine, to our economy, and to our hopes for the future to let it passively slip away as we cling to a pattern of business as usual.

Portland cannot fulfill its promise to be a great American city if USM is not willing to change.

The aspirations of working men and women, adult learners, cannot be fulfilled if we lose our presence in Lewiston and Auburn.

The dreams of our young people for careers as teachers, nurses, social workers, and business owners will not come to pass if we shut down our campuses in Portland and Gorham.

Maine people depend on USM as a birthplace for new careers, an incubator for applied research, a training ground for public service, and as the ultimate accessible, affordable source of life-changing college education.

But assignment to a critical role in society does not guarantee success. We must seize and cultivate our place in this region. The summer work of the Metropolitan University Steering Group under the leadership of Professor Dick Barringer is pointing us in exactly the right direction. Today the group is reviewing its first working paper, an interim report I hope all of you will view on the president’s website. Their recommendations and estimates are very preliminary, but their information and observations speak loudly to our need to focus and align all we do around a metropolitan mission. That work will continue this fall and engage broader and broader segments of the USM community.

Why USM Does Not Work Anymore

As currently constituted, USM is not working anymore. The world around us is changing, and we have not kept up. The reasons for our slide into unsustainability are myriad:

· We have done a poor job defining our mission or our value proposition.

· We have operated for far too long with no discernable plan for prioritizing our investments, identifying our strategic strengths, and pruning our less competitive programs.

· We have not adapted to new technologies fast enough, or offered new and relevant courses students seek.

· We have not systematically matched the convenience and mentoring for students that some of our competitors offer, despite the efforts of PCE, Student Success, TRIO, and other excellent organizations on campus.

· And, despite the tuition freeze, we are not as competitive on tuition with our peers as we need to be to win all the cost-conscious students and families we should be serving.

The list goes on.
Including, I regret to say, the bitter tone I see on some local blogs and social media. I support free speech — I’m a card-carrying member of the ACLU - but we all have choices to make in the tone of our expressions. Uncivil discourse by a very few, perhaps intended to serve other purposes, most certainly serves to disenchant potential applicants and their families.

As I said, the value of our mission does not guarantee our success, and the need for change - for fundamental reform – is:

- immediate
- urgent
- pervasive, and
- profound.

We Can Turn USM Around

But for all our troubles, USM is blessed with many assets, foremost among them are our many gifted faculty and dedicated staff. But still, there are so many issues that need to be addressed if we are to make this university as successful, as competitive, as useful, and as well regarded, as it should be.

It’s hard to know where to begin.

Our financial goals and objectives are simple — but this will be hard.

First, we must balance the budget.

Our current course is utterly unsustainable, and we must take actions on both reducing expenditures through the elimination of positions and finding efficiencies, but also by investing in areas essential to our future growth such as:

- recruitment
- retention
- career services
- online education
- priority programs

Second, we must move quickly to look at some hard questions, not only because the budget crisis is upon us, but also because the Board of Trustees expects a balanced budget by the end of this calendar year, including elements of a more comprehensive reform plan for the future. Let’s acknowledge this will have to be fast — not at a traditional academic pace.

I can tell you we expect to present the outline of an operations plan and an FY16 budget process to the Board of Trustees at their next meeting on September 22nd.

Then we will assess the results of the faculty special retirement incentive window, which is scheduled to close October 10th —
77 people are eligible for this retirement incentive. After the results of that offer are in, we will take any necessary workforce discontinuance action in both the academic and administrative sectors by the end of October.

We have already started our review in key places. We are discussing different approaches, all of which will result in painful choices. Right now within the colleges there is an immediate focus on expenses, everywhere, including faculty. In administration, a similar review has also started.

Let me speak specifically to the review of faculty.

We are first asking if fewer people can teach the same level of offerings. The Provost and the Deans are uncovering some opportunities worth investigating.

We are also considering shifts that will affect the faculty, but which will be of benefit to the students. For example, in January we hope to implement a better balancing of when courses are offered. We will need some faculty to teach on other USM campuses. We will look at the standard course loads and who is released from teaching because of other duties. Did you know there are at least 100 standard course releases each year? We estimate at least 20 more per year. If all those releases are backfilled by adjuncts, it will cost USM over $400,000. If full professors were used to fill the gap the cost of these releases would be well over $2 million.

Other changes such as faculty members sharing offices will be assessed. We need to find savings in many places on the academic side, as well as the administration.

There is a checkpoint in late September or early October. If we are not making enough progress in finding efficiencies or recouping costs from retirement or resignation vacancies, there will be little choice but to eliminate further positions. For the faculty that elimination will come through the retrenchment process and for staff it will come through the discontinuance process. Whatever the terminology, this means layoffs. Unlike the Faculty Senate Plan of last spring, which exempted faculty, layoffs will have to be strategically applied across all that USM does. The Provost and his team are aware of the magnitude of the targets, and the need for speed in delivering recommendations.

Conclusion

In closing, despite the myriad challenges facing us, I am confident that we have the necessary assets and tools to overcome and become, once again, the institution that we are all proud to call home. I believe we are coalescing around a vision of USM as a Metropolitan University providing accessible, affordable, and quality liberal arts and selected graduate programs. This education will set students on a path towards successful and evolving careers that fuel Maine’s economy and culture.

I care deeply about this institution and its future. I want to assure you that my administration will adhere to the values of “servant leadership” — putting the interests of students and the community above any personal interest, respecting diverse points of view, being driven by data, and adopting best practices for this university to succeed in a competitive world. If we face and address the reality of our challenges I know we can prosper together.

I thank you for your time and appreciate all that you do for USM.
Provost Joseph McDonnell’s Opening Breakfast Remarks:

Thank you, David. I appreciate the opportunity to serve the university in this new capacity. I am committed to working collaboratively with deans, chairs, faculty and staff to address the challenges you have outlined. While I know the air is thin on the 7th floor, I will try not to let it muddle my mind.

I’d like to spend just a few minutes talking about the actions our academic programs might do to address this daunting budget shortfall. It is clear from the situation President Flanagan has described that we have no choice but to change. The status quo is no longer sustainable.

Options

One way of dealing with the situation might be to cut deep into our academic programs — to eliminate some programs entirely and severely scale back others. The second option is to change — significantly change our structure and culture to create new programs, modify current programs, and engage faculty with students and the community in a way that will attract and retain more students.

The problem with the first option is that no matter how much we cut, if we do not figure out how to attract and retain more students we will be back here next year with declining enrollments requiring still more budget cuts. This has been my experience over the last three years and I know for many this has been your experience for much longer.

The problem with the second option is that we have a history of resisting change and we will have to convince President Flanagan and the Board of Trustees that we will really be able to halt the enrollment declines and bend the curve in a positive direction by next year — something we have not done in many years.

Nonetheless, I am convinced we ought to take this second option for our long term success and perhaps mitigate some of the draconian budget reductions projected. Recruitment and retention will be my highest priorities — and I plan to devote much of my time to creating or modifying programs to grow our enrollment.

Here is our situation: We have about 6,000 FTE students but we have faculty for 7,500. The additional 1,500 students would mean only about 5 additional students on average in every class we teach — and the revenue from these students would balance our budget. We offer an extraordinary number of classes for a university of our size — and too many of them have empty seats.

We are like an airline, when a plane takes off with empty seats – the revenue associated with those seats is lost forever. The pilot, attendants, ground crew, fuel, and maintenance — are all expenses, no matter how many passengers are on the plane. In our case, the revenue from our tuition and funded research barely covers the cost of our faculty without anything left over for other expenses. If an airline could cover only the cost of its pilots, it would go out of business.

Why are we not filling our seats? We can point to Maine demographics, the low cost community colleges, competition from on-line and other universities, and the overbuilt university system — all legitimate contributors to our situation and all largely outside our control. But there are many factors within our control that would allow us to turn this situation around.
Last year nearly 4,000 students applied to USM as first year students. We enrolled only 780 — we rejected some but most went elsewhere. We had nearly 1,500 students apply as transfer students and enrolled 766 — we rejected some but most went elsewhere. Too many students are choosing not to come to USM. Declining enrollments are flashing lights calling for fundamental change.

**Recruitment**

The first organization I visited when I became provost was our admissions staff – to learn about the barriers to our student recruitment. I asked why students who might have come to USM are going elsewhere and what we could do to convince them to come here.

They cited five major reasons why students are not coming:

1. Inadequate scholarships and financial aid;
2. Failure to give students career directions;
3. Unwillingness to accept transfer credit;
4. An unwelcoming environment;
5. Insufficient online options for students — especially older students.

Let’s take these one at a time.

1. Tuition flexibility — for many students we just do not give enough scholarship and financial aid to compete with private universities. And for many out-of-state students our price is just too high. We need to become more market driven and more flexible in our pricing — like the airlines — especially in those instances where we have empty seats in classes or out of state students taking online classes.

2. Career Direction — students are making a huge investment of time and money and they need to see programs that give them career direction. We do not need to turn the university into a vocational school — and in some instances it may be a labeling issue to show that we have a pre-med, pre-law, and other pre-professional programs. We need to develop a first rate career center with internships and job placement. And our academic programs must engage students in more real world projects such as the great work being done by Campus Ventures.

We have to take advantage of our location in the population centers of the state to give students an experience they cannot get elsewhere. These learning experiences must involve strong relationships with faculty inside and outside of the classroom, hands-on learning, and an opportunity to connect with businesses, non-profits, and government agencies that can lead to careers. It is in putting all these together that will make us a successful metropolitan university.

3. Transfer challenges — 60 percent of our students come from a community college or another university. Still, too many do not come because they find it too difficult to transfer into USM. We have heavy credit requirements in our core and in some instances in our majors. In the end, students go elsewhere because they see that even if they pay more at another university they will finish sooner with less cost.

Our comprehensive core may be a wonderful program for a university with a captive population that come as freshman and leave four years later as seniors — but that describes only 11 percent of our students. We have students coming and going with credits from multiple universities — and we need an
army of advisors to help students get through the labyrinth we have created. We will continue to lose students unless we figure out how to become more flexible — flexible in our core, flexible in our requirements within the major, and flexible in our acceptance of credits from other universities.

4. A welcoming environment: We have pockets of genuine community on campus — among our athletes, our music students, and in programs such as environmental science — but for many students this is a pretty anonymous place. Our challenge is to create a more welcoming environment in the classroom and outside of class. We have to consciously create a different culture. We have some great models in our Russell Scholars program and our learning communities to create an engaged university.

5. Online education. Finally, there is a need to have a comprehensive approach to online and blended education. Other universities have moved aggressively in this direction. We will not survive as a university if we do not have a presence in this space and come to see that on-line and the traditional classroom will come together in creative blended models.

Identity of the University

We need to provide students with a clear value proposition that distinguishes this university from others. We have an opportunity to exploit our locations to engage students in the community and we also have an opportunity to create imaginative interdisciplinary and inter professional programs.

We know there is a long term trend for students to major in programs that provide careers — such as business, accounting, nursing, engineering, the health sciences and computer science. I think we would be diminished as a university if we were to see continuing erosion of our liberal arts. I have long felt that we offer students a false choice when we ask them to choose between majors in the liberal arts or those that lead more directly into a career. It seems to me we could structure our programs with fewer credit requirements that would allow students in career-oriented programs to take a double major or minor in the liberal arts, and allow the liberal arts students to take a minor or double major that will lead to a career. It is very hard for students in this university to double major or take multiple minors.

Minors in accounting, risk management, marketing, finance, entrepreneurship, cybersecurity, tourism and hospitality, not-for-profit management, professional and technical writing, digital design, public relations and social media — to name just a few ought to be available to give students career direction.

There are instances on campus where faculty are breaking down the silos and working across disciplines. I believe it will be in this interdisciplinary space that USM will find success. It is also here where combined graduate and undergraduate degree programs should be available throughout the university — and with other programs in the university system.

Retention

We are admitting students with a wide variety of academic backgrounds and capabilities. We know that 37 percent of our first time students leave after one year. That’s an extraordinary number and if we could retain just half those students it would go a long way to prevent us from laying-off faculty and staff. Too many students are not convinced to come here and those who come are not convinced to stay. We have to change the experience so students want to come and to remain to complete their degrees.
Graduate Programs and Funded Research

Our graduate programs and our funded research are an important part of the mission of USM and make up 20 percent of our student body. We have to better align our undergraduate and graduate programs so faculty can teach in both programs and share some common courses across graduate programs.

We have to nurture our funded research activity, create greater expectation and incentive for faculty to engage in it, and do a better job of connecting these programs with the learning experience offered to our students. It is a missed opportunity that we can no longer afford.

Reshaping the University

Our budget crisis will inevitably result in a reshaping of the university over this next year. It is a task that will cause great pain because we cannot balance the budget without the loss of some faculty and staff. But our priority must be to do it in a way that positions the university for a promising future.

We are developing criteria for our budget reductions that I will share with the university community and welcome your comments and suggestions. I intend to make this a collaborative process, involving all concerned parties, but operating within our timeframe constraints.

I sincerely ask for your assistance in this difficult undertaking and in creating a university so engaging it will attract and retain more students.

Together, we can build a stronger university, one that will provide great opportunity for our students, our communities and the state of Maine. Please join me in this important task. Thank you very much.

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