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## The Importance of Maintaining the Investment in the University of Maine and the University of Maine System

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*University of Maine*

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## **The Importance of Maintaining the Investment In The University of Maine and the University of Maine System**

**Testimony of Peter Hoff  
President, The University of Maine  
To the Joint Committee on Appropriations and Financial Affairs**

**January 16, 2004**

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Senator Cathcart, Representative Brannigan and members of the Joint Standing Committee on Appropriations and Financial Affairs; Senator Douglass, Representative Cummings and members of the Joint Standing Committee on Education and Cultural Affairs, good afternoon, I am Peter Hoff, and I am pleased to appear before you today to speak about The University of Maine, and the impact of the state's investment in that university. Even if Chancellor Westphal had been able to attend today's hearing, it would have been important for me to be here to speak about the role of our university. He is away today on a mission which, if successful, could by itself increase research funding to the university by as much as 20% (\$10 million per year)--so I am sure you will appreciate the seriousness of the cause that prevented him from attending.

Chancellor Westphal has asked me to talk to you about The University of Maine's success in research and development, and its very positive impact on Maine's people and economy. I am doing so because I want to emphasize that the proposed budget cuts to the university have not yet been officially determined; because they would do great harm to the university and undermine its ability to multiply state investments many times over for the benefit of the people. I know that the government of Maine faces an unthinkable dilemma if it has to choose between helping people who need medical care, social services, and other relief right now, versus compromising and undermining the future of Maine by constricting higher education—the force creating that future. I still hold out hope that there might be alternatives that would free us to some extent from this horrible “Sophie’s Choice.” So I want to remind you of the importance of the University System to Maine's future and encourage you to help think about alternative solutions.

### **Research and Development—UMaine's Brightest Story**

As you all know, research and development has been one of the brightest stories in recent years to come out of The University of Maine. Thanks to funding support from the Legislature, the University has been able to leverage a growth in external—mostly Federal—funding that has almost tripled the amount of funded research activity at the university. Most of you on this committee have seen the university make enormous

strides toward its goal of \$100 million in funded R&D—a level of activity which would certainly help the state of Maine toward greater prosperity. You already know, for example, that:

- Dedicated state support for research at UMaine and USM has risen to about \$10 million annually, but leveled off in recent years.
- For the past three years, the \$8 million of that state funding directed to Orono has helped us reach external funding levels of over \$50 million per year.
- Most of that funded research has taken place within the seven technology areas targeted by the state for development.
- In addition to targeted science and engineering R&D, USM has also contributed over \$30 million per year in externally funded contract work in social services and public policy, that adds to the extramural support total.
- This means that, in a broad sense, the two larger campuses of the university system are generating as much as \$90 million in externally sponsored R&D, and service activity, most of that money coming from outside the state.

Some of the most recent headlines you may or may not be aware of include:

- The Target Technology Center in Orono was recently ranked among the top ten in the nation for spinoff companies per dollar of research investment
  - In just two years of operation, six such companies have been formed.
  - Five of the six were formed by UMaine students.
- A \$6 million grant from the NSF has allowed us to create the Institute for Molecular Biophysics. Working closely with the Jackson Laboratory, this institute promises to break revolutionary ground in addressing some of our most serious biomedical problems.
- Professors Rosemary Smith and Scott Collins, internationally known electrical and computer engineering professors, relocated from the University of California-Davis to UMaine, bringing with them \$3 million in ongoing grant projects. Their work has found its way into the technology of the Mars Rover and nanoscale micromachines that will function inside the human body.
- Professor Susan McKay's Center for Science and Math Education Research attracted \$300,000 from the Department of Education and a like amount from the Balfour Foundation. Along with staff of the Jackson Laboratory, it is working with local teachers and school districts to develop math and science instruction in our schools
- I am appending a more complete list of UMaine R&D projects that are ongoing across the entire state of Maine

### **The Overall Economic Activity of The University of Maine**

Most important to the testimony I am giving today is that fact that the university's high return on the taxpayer's dollar is not limited to R&D activity. We have just completed a very detailed economic impact study at UMaine, which reveals that every tax dollar appropriated to the university returns more than \$6 in economic activity. The \$87.5 million of tax support UM received from the state in 2002 accounted for more than \$570 million in high-level economic activity. This is a conservative estimate. And the economic activity that results is not just a vague multiplier effect. It is smokeless, high-tech, high-impact economic activity. It creates well compensated jobs that attract talented and productive people to Maine, and encourages successful professionals from Maine to come back to their home state. It also generates extremely good professional and staff jobs that offer rewarding careers to Maine residents. The education offered by The University of Maine opens doors of opportunity for tens of thousands of students to go on to the careers they want and deserve, rather than being relegated to low-paying, dead-end jobs that exist for those who are not educated. The research conducted by the

university stimulates a wide variety of economic activity and helps transform society for the better. And because the boundaries of our campus are the boundaries of the state, our public service and outreach efforts directly assist natural resource industries, manufacturing, high-tech firms, communities and organizations everywhere in Maine.

The dollars invested in the university construct new facilities, create laboratories where new products and technologies are developed, equip those laboratories, and provide for research that improves the social and physical health of the citizens and creates opportunities for new industries and new jobs to be created. These six-plus dollars of activity for every dollar of state investment are very productive dollars indeed.

### **Impact of Disinvestment in the University**

The problem is that the ratio goes the other way when we disinvest in higher education. Every time we take a dollar of appropriation away from UMaine, we take away six dollars of economic activity statewide. This is not just an abstraction. We saw this principle at work during some very difficult years in the 1990's. Along with budget cuts to the university, we saw enrollment drop from 13,500 students to fewer than 9,000. It was a drop not in student aspirations, but in opportunity and the resulting loss of public confidence that saw UMaine enrollments go down precipitously. Enrollment plummeted, talented faculty members left or retired, research activity failed to grow. All the ingredients we know a university needs to promote a healthy economy and society melted away as the budget was cut. A very lamentable series of events set in, which have taken a long time to reverse.

This November, when we were alerted that another reduction in appropriation was likely, we started taking necessary and prudent steps to prepare. We reduced the number of courses that would be offered this Spring. We froze vacant positions. We canceled equipment purchases and professional travel that were planned. If the proposed cut materializes and reduces our permanent base appropriation, it will inevitably result in many jobs being lost, courses being canceled, research activity being postponed or terminated, federal grants being lost, and economic development support being sacrificed.

### **Developing a “Creative Economy”**

As Richard Florida has shown us in his insightful book, *The Rise of the Creative Class*, the most valuable resources in today's economy are brainpower and ideas. Technology, talent, high-tech job opportunities, and the kind of attractive society that tends to form around universities—these are the ingredients that Dr. Florida demonstrates to be the very heart of modern economic development. Everywhere the economy flourishes, we find a stimulating social and intellectual environment with a university at its core. Communities that have failed to recognize this fact have lost the race for economic growth. Richard Florida's thesis is so self-evident and so compelling that Governor Baldacci has established a Commission on the Creative Economy to find ways of making the formula work for Maine. The tax cut proposal takes us in exactly the opposite direction.

Those six-plus dollars that UMaine generates for every tax-appropriated dollar are only the beginning of the virtuous circle. The result of investment in our intellectual capacity is what will make the sky the limit. What we are addressing today is the opposite effect: the vicious circle. We can ill afford to lose six dollars from our economy for each dollar of tax cut. The downward spiral we encourage by doing so is deadly to imagine.

As I mentioned at the outset, we realize that the state faces extremely difficult choices. None of the options is at all attractive. Today I am imploring the members of the Appropriations Committee to consider the devastating effect—not just on the University System but on the economy of Maine and the lives of its people—that comes of taking this option. We must find a better solution than the one proposed.

Distinguished members of the Joint Appropriations Committee, universities are not just a pleasant frill in today's society. They function at its very core. Talent, ideas, and the capacity to think are the most precious resources we possess. Universities hold many of the keys to our capacity to create and shape our future. We can't just turn on and off the spigot that nourishes them. I myself am just one person—but I am part of a team of 2400 UMaine employees who are dedicated to creating a bright future for the state of Maine.

I urge you to continue your support for the University of Maine System. And I pledge to you that we will continue to make the most of the resources you provide and to maximize their positive effect on the people of Maine.

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