UW System’s Growth Agenda for Wisconsin

Strategies for economic recovery and renewal, 2011-13

CORE GOAL
More graduates

CORE GOAL
More jobs

Foundational Activity
Competitive UW workforce
## Integrated Growth Agenda Budget Planning

<table>
<thead>
<tr>
<th>Month</th>
<th>Event Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>February 2010</td>
<td>Discussed Integrated Budget Planning Process</td>
</tr>
<tr>
<td>April</td>
<td>More Graduates for Wisconsin</td>
</tr>
<tr>
<td>May</td>
<td>Annual Accountability Report Strategic Financing Discussion</td>
</tr>
<tr>
<td>June</td>
<td>Approve Annual Operating Budget for 2010-11 Competitive University Workforce Commission Research to Jobs Implementation</td>
</tr>
</tbody>
</table>
### Integrated Growth Agenda Budget Planning

<table>
<thead>
<tr>
<th>Month</th>
<th>Event Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>July</td>
<td>Discuss Biennial Budget</td>
</tr>
<tr>
<td>August</td>
<td>Approve Biennial Budget</td>
</tr>
<tr>
<td>September</td>
<td>Submit Budget Request to DOA</td>
</tr>
<tr>
<td>February</td>
<td>Governor introduces his 2011-13 biennial budget</td>
</tr>
<tr>
<td>July</td>
<td>New Biennial Budget Takes Effect</td>
</tr>
</tbody>
</table>
Strategic Finance

University of Wisconsin System

Board of Regents

Ellen Chaffee, Ph.D.
May 6, 2010
Ground Rules

- It’s your show
- Dialogue, not decisions (yet)
- No relevant topic is excluded
- Diverse views are helpful
- Respect each other and the time
- Regents have priority
  - Others: information, questions
• A shared sense of the options for a strategic financial plan to **align resources** with action plans to achieve Wisconsin’s **attainment goal**.
Agenda

• Setting the stage

• Elements of the strategic financial plan
  – Potential resource options
  – Issues and next steps

• Fiduciary and strategic roles of boards
Attainment Goals

“By 2020, America will once again have the highest proportion of college graduates in the world”

- President Obama, 2/24/09

to increase the percentage of Americans with high-quality degrees and credentials to 60 percent by the year 2025 – Lumina Foundation for Education

Currently: 39%
U.S. Conditions

- Economy requires more graduates
- Incoming students have greater challenges
  - Preparation
  - Participation
  - Affordability
- Business model is not viable
  - All revenue sources are maxing out
  - Revenue and expense trend lines are not sustainable
University of Wisconsin System Goals, All Degrees

Actual vs. Goal

- Associate
- Bachelor's
- Graduate or Professional

7,700
The Flow of Funds for Education

- **Economy**
  - Tax Policy

- **Available State and Local Govt. Funds**
  - Stimulus Funds

- **Federal Government**
  - • K-12
  - • Corrections
  - • Health Care
  - • Other Govt.

- **Higher Education**
  - Student Aid
  - Appropriations/Grants

- **Students**
  - Tuition
  - Scholarships & Waivers

- **Institutions**
  - Net $1 million
  - Net $800 million GPR

Association of Governing Boards of Universities and Colleges. All Rights Reserved.
Our Business Model is Not Sustainable

Illustration: 20 Years of Trends

- AFFORDABILITY GAP
- STATE FUNDS GAP

Tuition

Expenditure/FTE

State approp

CPI
We cannot go on this way.
ELEMENTS OF A STRATEGIC FINANCIAL PLAN
Strategic Finance

**Board-CEO Leadership**

- **Strategic Financial Plan**
- **Strategic Goals**
- **Strategic Indicators**

**PURPOSEFUL, ALIGNED Results-Driven Culture**

- **REVENUE** - optimize
- **ASSET UTILIZATION** – maximize
A Change of Focus

FROM BUDGETS:
Analysis of results looking back
Focusing on dollars

TO/AND:
Looking forward and expecting improvement
Focusing on dollars, time, technology, other resources
## Ohio’s New Funding Model

<table>
<thead>
<tr>
<th>Factor</th>
<th>Previous Model</th>
<th>Current Model</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enrollment</td>
<td>14&lt;sup&gt;th&lt;/sup&gt; Day FTE Enrollment</td>
<td>Course <strong>Completions</strong>, excluding “F”</td>
</tr>
<tr>
<td>Degree Attainment</td>
<td>Not Included; Success Challenge</td>
<td>Included, <strong>Success</strong> Challenge rolled into Model</td>
</tr>
<tr>
<td>Student Economic Status</td>
<td>Not Included</td>
<td>Weights course completion and degree attainment by OIG students</td>
</tr>
<tr>
<td>Access Mission</td>
<td>Not Included; Access Challenge</td>
<td>Rolls <strong>Access</strong> Challenge into Model</td>
</tr>
<tr>
<td>Stop Loss</td>
<td>100%</td>
<td>99% 1&lt;sup&gt;st&lt;/sup&gt; year and 98% 2&lt;sup&gt;nd&lt;/sup&gt; year.</td>
</tr>
</tbody>
</table>
Discussion

- What would be your criteria for a good strategic financial plan?
- What are the major challenges/barriers to creating/implementing a strategic financial plan?
Elements of a Strategic Financial Plan

POTENTIAL RESOURCE OPTIONS
Squeeze Play Strategies

• Laser focus on mission and goals
• More revenue
• New revenue source(s)
• Productivity: Do more with what we have
  – Cut costs, eliminate waste, reallocate
• Innovation: Do differently with what we have
  – “Dell revolution”
### Sample Productivity Strategies

<table>
<thead>
<tr>
<th>Administrative</th>
<th>Efficiency</th>
<th>Innovation, Transformation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>Consolidate administrative functions</strong></td>
<td>Reduce spending on non-revenue producing athletics</td>
</tr>
<tr>
<td></td>
<td>Restructure debt</td>
<td>Restructure faculty compensation/rewards</td>
</tr>
<tr>
<td></td>
<td><strong>Reduce administrative costs</strong></td>
<td>Comprehensive Quality Improvement approach</td>
</tr>
<tr>
<td></td>
<td>Tackle ‘automatic’ cost increases</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Partner, pool, outsource</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Academic</th>
<th><strong>DEGREE PRODUCTIVITY</strong></th>
<th><strong>CONVENIENCE</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Increase retention/graduation rates</td>
<td>Increase distance delivery</td>
</tr>
<tr>
<td></td>
<td>Increase credit-by-exam</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Encourage test-out options</td>
<td><strong>NEW ACADEMIC STRATEGIES</strong></td>
</tr>
<tr>
<td></td>
<td>Academic process redesign</td>
<td>Reengineer curricula</td>
</tr>
<tr>
<td></td>
<td>Minimize “rework”</td>
<td>Reengineer course delivery</td>
</tr>
<tr>
<td></td>
<td><strong>Reduce credits to degree</strong></td>
<td>Accelerate learning</td>
</tr>
<tr>
<td></td>
<td>Improve course completion rates</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Increase learning in the workplace</td>
<td></td>
</tr>
</tbody>
</table>

### ACADEMIC PROGRAM STREAMLINING

- Eliminate/consolidate programs
- Differential tuition by program
- Create/preserve low-price options

1

2

3

4

Association of Governing Boards of Universities and Colleges. All Rights Reserved.
Discussion

• What resources do/might we have?
What Resources Do/Might We Have?

• What is already being done in this area?

• What is the potential of this revenue source to do more than it is already doing?

• Would increasing support from this area have any spin-off effects (e.g. tuition/financial aid) or unintended consequences (e.g., reducing academic quality)?

• How many of these potential revenue sources are we likely to have to tap in order to reach our goal?

• What is an appropriate balance of “self help” and state effort?

• What are the most critical factors and support systems to ensure successful financing?
Elements of a Strategic Financial Plan

ISSUES AND NEXT STEPS
A major next step in the strategic financial plan is preparation of the 2011-2013 budget request. What suggestions or questions does the Board have at this point?

The budget request will be explicit about state funds and tuition support. Do any of the other revenue sources need attention in the short run?

What new tools and information does the Board need in order to play a strategic and fiduciary role in this vital initiative?

What new or increased roles can the Board play to support the plan?

What questions do Board members have for future analyses or discussion?
Implications for Board

• Support change in approach to budget building
  – Examining old habits and conventional wisdom about costs
  – Focus on big picture, and progress on the goals and the strategies to achieve them
  – Fulfill both fiduciary and strategic roles
And that is why

• 20\textsuperscript{th} Century was one of \textit{technological} innovation

• 21\textsuperscript{st} Century must be one of \textit{institutional} innovation

It is not necessary to change.

Survival is not mandatory.

--W. Edwards Deming
National Perspective

FIDUCIARY AND STRATEGIC ROLES OF BOARDS
**Fiduciary and Strategic**

- **FIDUCIARY:** Are we doing what we are supposed to do?

- **STRATEGIC:** Will we exist and succeed “forever?”

Ensure organization fulfills its mission

Ensure organization’s long-term vitality
Role of a System Board
Strategic Topics

- Vision
- Quality
- Strategy
- Resources
- Future
- Expertise
- Support
- Productivity
- Results
- Long term
- Business plan
- Customer wants/needs
- Evidence
- Efficiency
- Brand, positioning
Sample Strategic Questions

• How would this affect our long-term vitality?
• What is the tradeoff with other needs?
• What would be the 5-10 year impact?
• How does this advance our strategy?
• What are the key national trends?
As a trustee, you can

• Be an advocate for strategic goals
• Support people who are leading/making needed change
• Insist on seeing the data behind the decisions
• Focus on what the numbers are saying
• Have the courage to ask the hard questions
• Regularly review the mission and market return from new initiatives