



UW-Parkside Review

The Case for Change: Tuition Fund Reserves are Quickly Depleting

Prior to COVID-19, enrollment at UW-Parkside was declining, albeit gradually, but expenses were already growing, increasing by 17% from FY 2018 to FY 2020. The precipitous drop in enrollment during the pandemic has left Parkside with tuition fund reserves nearly depleted.

UW-Parkside continues to demonstrate commitment to its access-oriented mission to serve students in SE Wisconsin



Parkside's tuition and fees are the **lowest of any four-year accredited university in Wisconsin**. Underscoring its access-oriented mission, UW-Parkside in Fall 2023 had 26.9% Underrepresented Minority (URM) students, the highest of any UW campus and nearly twice the 15.1% across all UW campuses combined. Parkside also has the highest percentage of undergraduates receiving Pell Grants.



UW-Parkside **improved 6-year graduation rates more than any UW campus** from the class of 2010 to the class of 2017, while from Fall 2015 to Fall 2022, the institution was able to maintain* freshmen to sophomore retention at over 71%.

... but the institution's drive to improve students' socioeconomic outcomes faces a variety of increasing pressures



The socioeconomics of SE Wisconsin, business growth in the Kenosha-Racine corridor (offering potential students alternate career paths), and limited marketing reach and brand perception **make it difficult for Parkside to recruit and enroll students**.



From Fall 2011 to Fall 2023, total enrollment **FTE decreased by over 19%**, leading to diminishing tuition revenues and misalignment between revenues and expenses.



FY23 presented materially worsening financial performance with Parkside posting a \$5.9M tuition fund deficit that eroded 55% of existing fund balances.

... therefore, Parkside faces a series of difficult decisions necessary to put the institution back on a financially stable path.



Mission-aligned solutions to re-align the institution and stem undergraduate enrollment declines, while also investing in high-value areas, can help Parkside **counter rising expenses and stagnant revenues, resolve budget gaps, and provide relief from immediate financial and operating challenges**.



Given the size of Parkside's deficit in FY 2023 and projected deficit for FY 2024, **decisive action is required to extend the runway and protect tuition fund balances, currently forecasted to be fully depleted in the beginning of FY 2025**.

The Path Forward Should Leverage Strengths and Address Challenges

The current external environment, coupled with internal operating model issues, makes overcoming the ongoing structural deficit challenging; similarly, top line pressure and limited expendable balances make investing in growth difficult.

The Path Forward Should Leverage Strengths...

...and Seek to Address Existing External and Internal Challenges



Affordability and Return on Investment

UW-Parkside is the lowest cost institution in the Universities of Wisconsin. The affordability of attending Parkside helps the institution to deliver on its value proposition and access-oriented mission, providing students an excellent ROI.



Graduate Business Program

The Graduate Business Program at UW-Parkside has grown significantly in recent years, enrolling more than 518 students in Fall 2023, up from 117 students in Fall 2018.



Untapped Academic Programs

While Parkside 'does not have any flagship' programs synonymous with its brand – there are strong programs that could be leveraged for branding, marketing, and community relations to attract more students (e.g., Pre-Med has a med school acceptance rate of 2x the national average).



Access to Milwaukee and Chicago

Location affords UW-Parkside unique opportunities in terms of student recruitment, student employment/internship opportunities, and partnerships with businesses in the area; although, to date, this opportunity does not seem to have been substantively leveraged.

Shift in Enrollment Mix

- Since Fall 2011, Parkside Undergraduate FTE enrollment has declined by 28.1% from 3,761 to 2,704 in Fall 2023.
- However, Graduate FTE enrollment has grown by 523%, the highest growth across all UW campuses.

Competing with Local Employers

- Median wages for high school graduates and those with some college or associate degrees have risen notably the last several years, outpacing statewide average growth.¹ This gives potential Parkside students a choice: pay for a 4-year degree or enter the labor market now and begin earning.

Limited State Appropriations

- Per the *Wisconsin State Journal*, WI ranks 43rd in state funding / student.²
- Regulatory complexity and economic uncertainty add further risk to UWPKS's long-term outlook as the institution has become increasingly dependent on State Appropriations.

Limited Market Reach and Branding

- Parkside's struggles to establish and market its brand, value and message can be seen in the fact that new freshmen come from just a few WI counties, and new freshmen from Kenosha and Racine counties declined from a total 505 in Fall 2011 to just 323 in Fall 2023.

Risks to Campus Culture & Morale

- Employee morale is already low on campus with the existing financial pressures and prior rounds of budget cuts. With the ongoing VSIP efforts and headcount reductions expected later in FY24, plus senior leadership changes, there is a strong risk that campus culture and morale will be further strained.

Siloed Culture and Lacking Accountability

- Siloed operations on campus, an absence of data-driven processes, and a history of incremental budgeting with limited accountability, has constrained Parkside from executing the necessary changes to appropriately manage expectations and optimize campus resources.

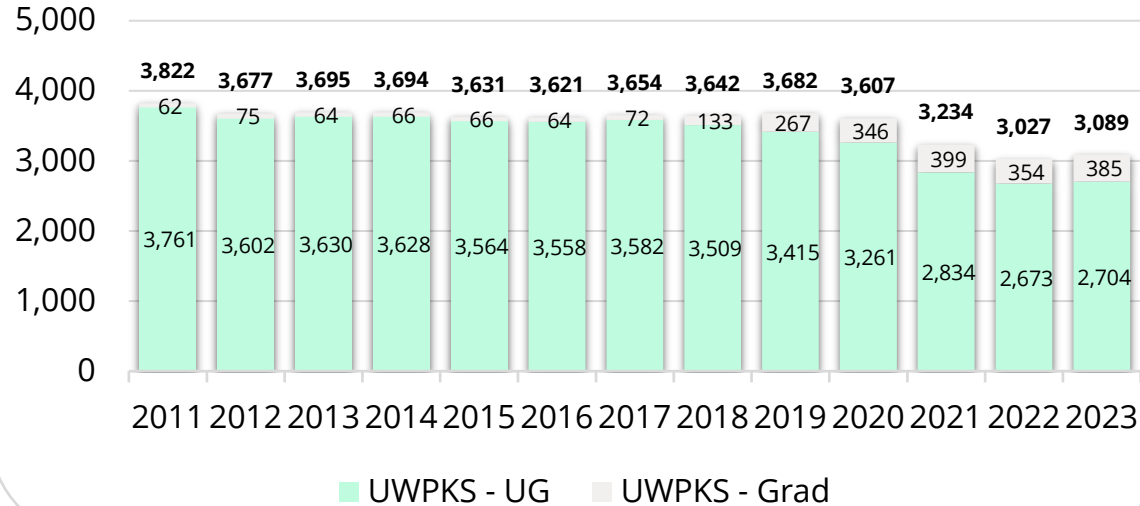
External Market Pressures

Internal Operating Model Challenges

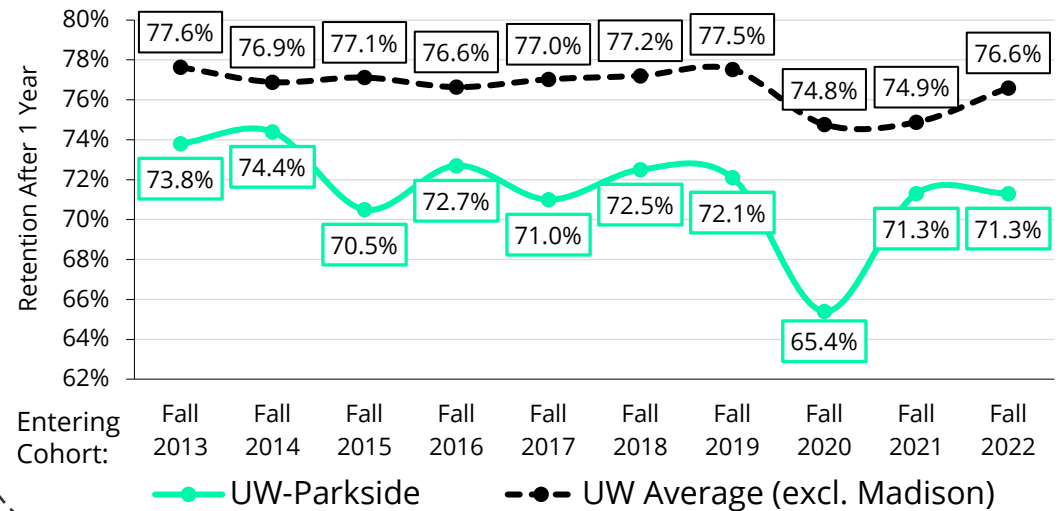
Expanding Enrollment and Improving Retention Will be Critical for Parkside

From Fall 2011 to Fall 2019, enrollment declined gradually, but from Fall 2020 to Fall 2022, total enrollment declined by nearly 600 FTEs, shrinking the student body by 16%. Though Fall 2023 enrollment grew by 2% YoY, as the existing small(er) classes progress through Parkside – and if the trend of declining enrollment continues – this will put further pressure on Tuition and Fee revenues.

Parkside Fall FTE Enrollments (2011 – 2023)



1-Year Retention for First-Time Full-Time Freshmen (2013 – 2022)



Parkside's enrollment has been in decline....

- In Fall 2011, Parkside enrolled just over 3,800 student FTEs. However, declining participation rates across UW, a slowly shrinking pool of high school graduates, and the COVID-19 pandemic have collectively challenged Parkside's ability to stem enrollment declines, with Fall 2023 enrollment just under 3,100 FTEs.
- Undergraduate enrollment at Parkside was particularly impacted by the pandemic, declining over 700 FTEs, or -5.7% per year on average, since Fall 2019.
- However, graduate enrollment at Parkside has demonstrated significant growth, increasing by just over 44% from Fall 2019 to Fall 2023 – a growth of 118 graduate FTEs.

.... and is further strained by low retention

- Retention rates for first-time, full-time (FTFT) freshmen, returning as sophomores the following year, fell over six percentage points from Fall 2020 (72.1%) to Fall 2021 (65.4%) but rebounded to 71.3% for the last two years.
- Retention rates at Parkside have consistently trailed UW averages, resulting in Parkside having the 3rd lowest retention rate across UW campuses as of 2023.
- With entering freshmen cohorts shrinking since Fall 2019 (except for the uptick in Fall 2023), it will become increasingly critical for Parkside to maintain its post-pandemic momentum to improve retention rates, aiming to return to Fall 2014 peak retention, or ideally, to achieve UW average retention rates.

... However, There May Be a Need to Evaluate the Academic Portfolio

Program and Workforce Alignment

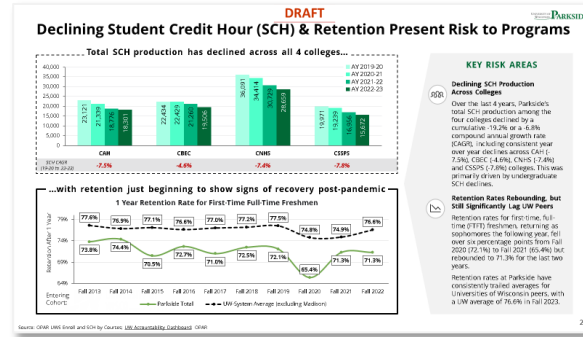
Parkside's academic portfolio demonstrates moderate alignment to labor market demands...

Occupational Group / Title	Annual Openings	PKS UG Degrees
Business and Financial Operations	5,714	
Management Analysts	1,780	✓
Market Research Analysts & Marketing	1,693	✓
Human Resources Specialists	1,655	✓
Logisticians	586	✓
Management	4,975	
General & Operations Managers	2,608	✓
Financial Managers	680	✓
Medical & Health Services Managers	616	✓
Construction Managers	553	✓
Industrial Production Managers	518	✓
Computer and Mathematical	3,490	
Software Dev., Software QA Analysts [...]	2,961	✓
Web Developers & Digital Interface Designers	529	✓
Architecture and Engineering	2,213	
Industrial Engineers	946	
Mechanical Engineers	774	
Civil Engineers	493	
Community and Public Services	1,116	
Substance Abuse Treatment Specialists	55	
Child, Family, & Healthcare Social Workers	47	
Healthcare Practitioners	1,070	
Clinical Laboratory Technicians	3	
Nurse Practitioners	3	
Sales and Related	1,399	
Sales Reps, Wholesale & Manufacturing	439	

In AY2023, Parkside conferred UG degrees that prepared graduates for approximately **50% of the 'Wisconsin Top 20 Hot Jobs', demonstrating moderate alignment to the WI labor market.**

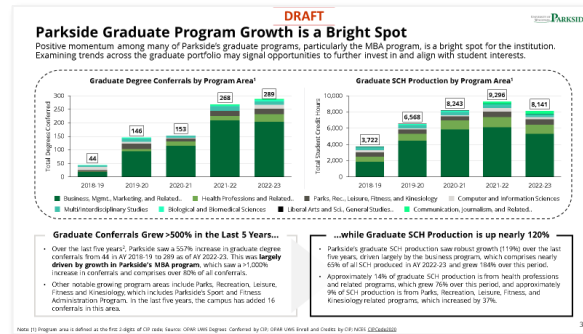
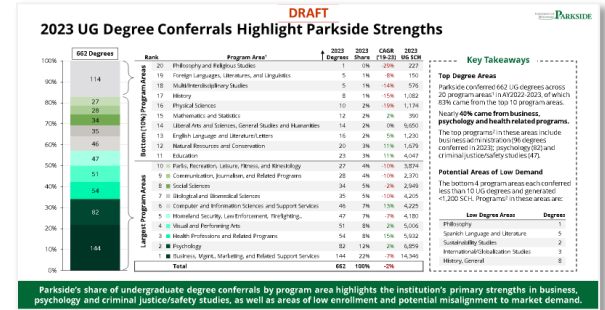
Degree Conferrals and Credit Hour Production

...but trends in degree conferrals and SCH may signal an opportunity to realign the academic offering with student demand



SCH production has declined across all Parkside colleges

As have degree conferrals across many of Parkside's undergraduate academic degree program areas

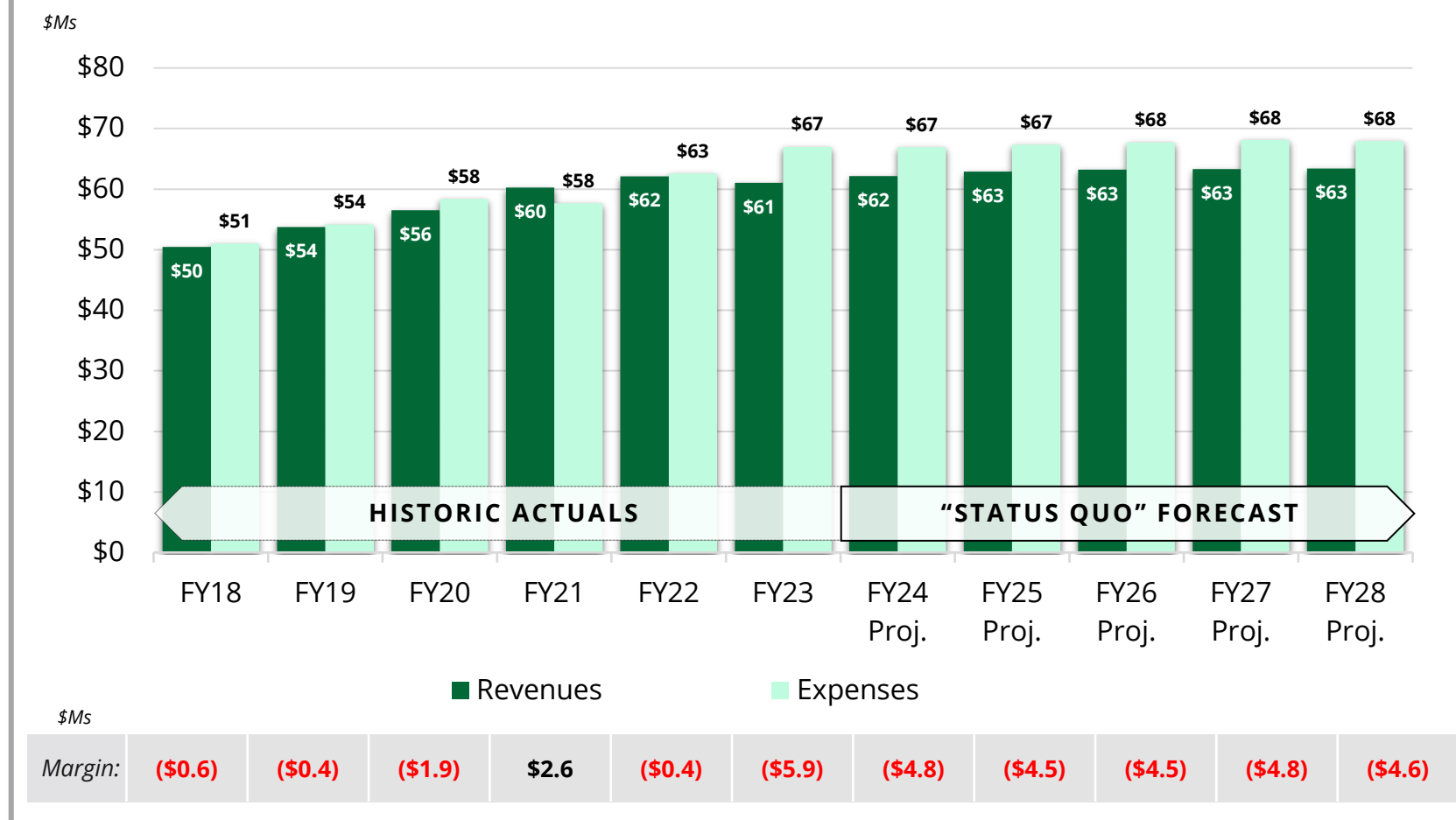


Fortunately, Parkside's graduate programs are an emerging area of strength for the institution, with noteworthy growth in several degree program areas¹

“Status Quo” Baseline Financial Forecast Results

The “Status Quo” forecast, which assumes current trends continue and Parkside does not make any changes to existing operations, illustrates the ‘Case for Change’ and emphasizes the importance of prioritizing and executing on opportunities in the near term.

Tuition Fund Historic and Projected Operating Performance, FY18 – FY28⁽¹⁾



KEY DRIVERS



Enrollment to Hold Fairly Steady

Student enrollment is modeled to grow slightly in the near term following the small increase in Fall 2023 (FY24). However, enrollment is forecast to decline by ~ 2.0% from Fall 2025 (FY26) to Fall 2027 (FY28) as external market factors, including declining numbers of high school graduates in Wisconsin, and falling participation rates across UW campuses, impact enrollment figures.



Expenses to Show Marginal Growth

Expenses have rebounded post-pandemic and are projected to hold relatively steady over the forecast period (0.3% FY23-FY28 CAGR). Salaries, Wages and Benefits (1.5% FY23-FY28 CAGR) and Supplies & Services (1.0% FY23-FY28 CAGR) are expected to grow marginally, while debt service payments decline.



Planned IT Investment

Margins will likely be further impacted by a planned ~\$5M IT infrastructure investment (*not included in the forecast*).

As expenses have risen and enrollment has declined, it will be critical to better align operating revenues and expenses to projected and actual enrollments in order to reduce the structural deficit and chart a path to long-term financial sustainability.

“Status Quo” Baseline Tuition Fund Balance Forecast

UW-Parkside's forecasted changes in net assets are projected to have a negative financial impact on the university's tuition fund equity balance, fully deteriorating the balance early in Fiscal Year 2025, reinforcing the 'Case for Change' at the institution.

Projected Financial Impact on Tuition Fund Equity Balance

Parkside Tuition Fund Equity Balance Baseline Projections						
Parkside (\$Ms)	FY End 2023 Actual	FYE24 Proj.	FYE25 Proj.	FYE26 Proj.	FYE27 Proj.	FYE28 Proj.
Beginning Tuition Fund Equity Balance	\$10.8	\$4.9	\$0.1	(\$4.4)	(\$8.9)	(\$13.7)
Change in Net Assets	(\$5.9)	(\$4.8)	(\$4.5)	(\$4.5)	(\$4.8)	(\$4.6)
Ending Fund Equity Balance	\$4.9	\$0.1	(\$4.4)	(\$8.9)	(\$13.7)	(\$18.2)
Cumulative Impact on Fund Balance	---	(\$4.8)	(\$9.2)	(\$13.7)	(\$18.5)	(\$23.1)

KEY TAKEAWAYS



Current Fund Equity Balance

Despite being buoyed by COVID-19 aid and expense reductions in recent years, the \$5.9M deficit in FY23 cut the balance significantly (-55%), resulting in a \$4.9M balance in the tuition fund at FYE23.



Enrollment Drives Decline

Falling enrollment, along with rising expenses, are the main drivers of the deficit. Given the size of the student body, Parkside should seek to re-align operations to resolve the existing deficit and enable investment for long-term sustainability.



Liquidity Strain

With limited reserves, Parkside is losing the funding and the time needed to invest in areas that could produce an ROI for the university.

If the Tuition Fund Equity balance falls at this rate, Parkside will not be able to meet current obligations and will need support from the Universities of Wisconsin System Office to fund operations for Fiscal Year 2025.

University of Wisconsin Parkside

Leadership Approach

Turnaround Steps

- Financial recovery actions
- Governance and communication
- Presence and messaging

Priority Actions

- Fall 2024 enrollment
- Brand recognition and messaging
- Workforce climate
- Financial current state opportunities

Strategic
Alignment

Financial Recovery Actions

Utilized One-Time and Base Strategies

- Personnel
 - Furloughs
 - Vacant positions
 - Voluntary separations (VSIPs)
 - Layoffs and non-renewals
- Non-salary
- Student employee work
- Program revenue balances

Engaged Huron to identify immediate budget reduction opportunities

Engaged Deloitte to support base budget opportunities, priorities and strategic realignment

Established University Budget Committee

Identified Base Budget Contraction

Contraction by Employee Type (FTE)					<u>Layoffs</u>	<u>VSIPs</u>	<u>Vacant</u>	<u>Non-Renewals</u>
	Positions		Amount					
University Staff	10.2	14.3%	\$ 515,398	11.8%	1.6	4.0	4.6	-
Academic Staff	37.4	52.4%	1,937,385	44.4%	8.4	3.8	21.4	3.9
Limited Staff	6.4	9.0%	555,291	12.7%	1.0	-	5.4	-
Faculty	17.3	24.3%	1,353,922	31.0%	-	8.1	8.2	1.0
	<u>71.3</u>	<u>100.0%</u>	<u>\$ 4,361,996</u>	<u>100.0%</u>	<u>11.0</u>	<u>15.9</u>	<u>39.6</u>	<u>4.9</u>
Supplies and Equipment			<u>\$ 921,000</u>					
Student Employment			<u>\$ 109,000</u>					
Unassigned Provisions			<u>\$ 491,000</u>					
			\$ 5,882,996					

Financial Projection: After Contraction

Parkside (\$Ms)	FY23 Actual	FY24 Proj.	FY25 Proj.	FY26 Proj.	FY27 Proj.	FY28 Proj.
Beginning Tuition Fund Equity Balance	\$10.8	\$4.9	\$0.1	\$0.9	\$1.7	\$2.3
Change in Tuition Fund Net Assets	(\$5.9)	(\$4.8)	\$0.8	\$0.8	\$0.6	\$0.9
Ending Fund Equity Balance	\$4.9	\$0.1	\$0.9	\$1.7	\$2.3	\$3.1

Assumes stable conditions in enrollment and expense growth

Timeline for elimination of structural deficits: FY2027

Source: Adapted from Draft Deloitte Analysis from Universities of Wisconsin GL Data.

Spring 2024 Actions

Uphold Cautious Budget Stance with Active Monitoring

Pursue Priority Actions

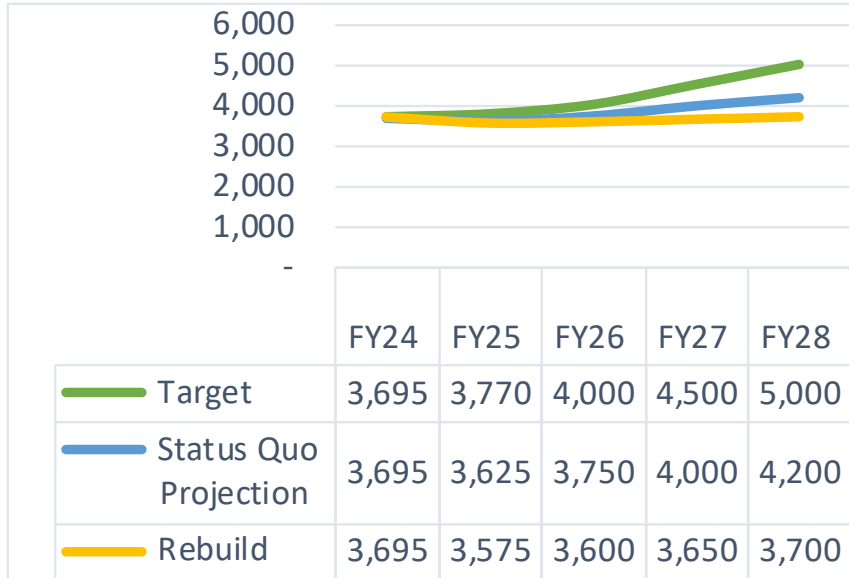
- Fall 2024 enrollment
- Brand recognition and messaging
- Workforce climate
- Financial current state opportunities

*Action Teams Launched
in March 2024 with
September 2024
Outcomes and Targets*

Engage Strategic Alignment

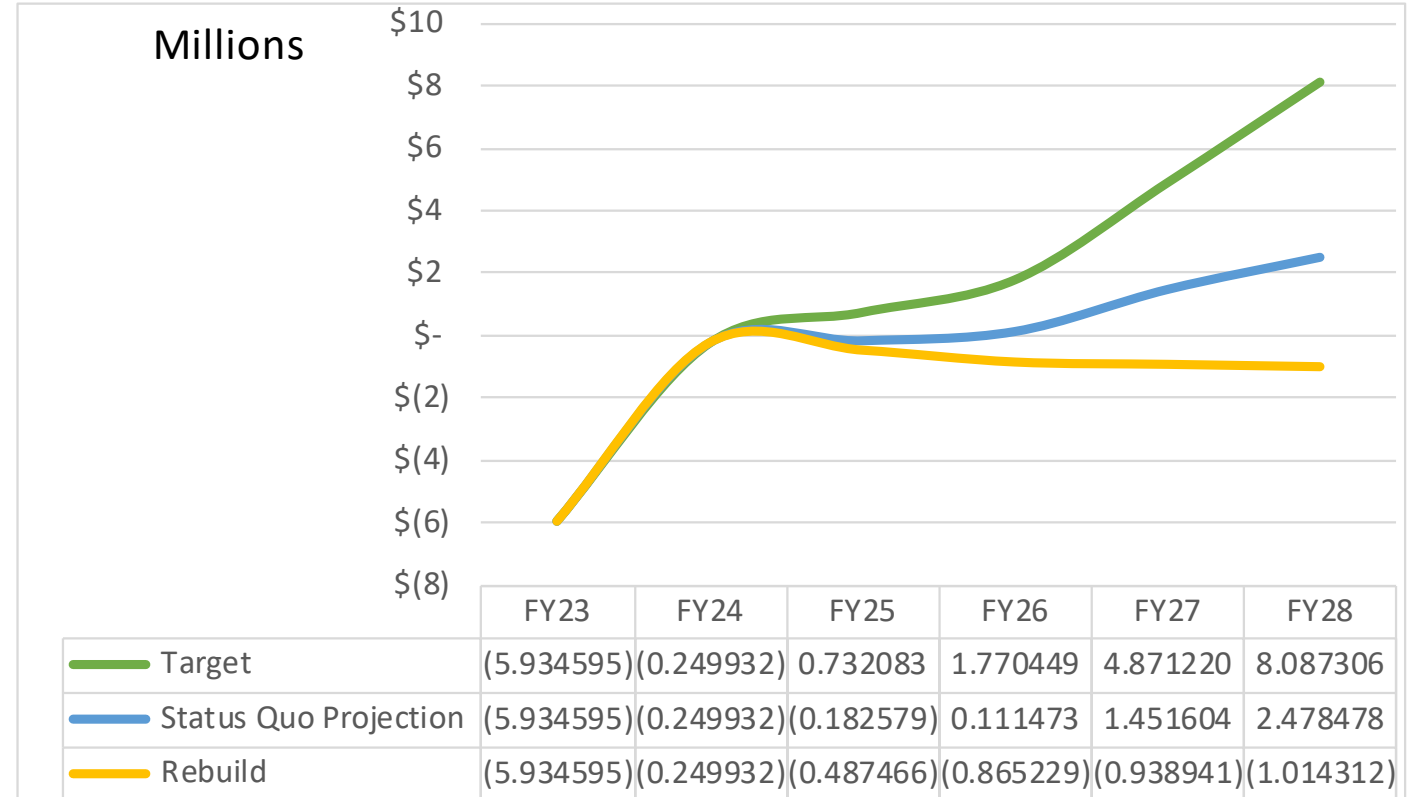
Contingency Planning

Fall Degree-Seeking Enrollment Zone



Excludes Non-Degree, Dual Enrollment

Projected Tuition/GPR Operating Surplus (Deficit)



Strategic Alignment

*Launched in April 2024
with February 2025 Target*

Innovate Academic Offerings and Experience

Expand Enrollment and Student Success

Recharge Brand and Message

Optimize Portfolio and Delivery

- Efficiency of workload, service, and course offerings
- Align resources with projected enrollment demand
- Implement growth-minded resource management practices

Proactive Change Management and Data Informed Decision-Making