

Minutes
Achieving Operating Efficiencies Work Group
Board of Regents of the University of Wisconsin System
September 4, 2003

The Achieving Operating Efficiencies Work Group met at 10 a.m. in room 220, Pyle Center, 702 Langdon Street, Madison. Work group members present were Regent Mark Bradley (chair), Regent Nino Amato, Regent Jose Olivieri, Regent Emeritus Jay Smith, Chancellor Douglas Hastad, Chancellor John Miller, Chancellor Charles Sorensen, Vice Chancellor Andrew Soll, Faculty Representative Lisa Seale, Student Representative Alan Halfen, Academic Staff Representative Therese Kennedy, Vice President Debbie Durcan and Director of Operations Review and Audit Ron Yates. Others present were Assistant Vice President Nancy Ives, Assistant Director Jane Radue and Program Analyst Sandra Cleveland (Operations Review and Audit).

Regent Bradley began the meeting with an introduction of work group members, including the new faculty, academic staff, and student representatives. Chancellor Sorensen made a motion to approve the minutes from the August 21, 2003 meeting. The motion was approved unanimously.

Regent Bradley reminded members that the overall purpose of the work group is to try to identify ways to operate with fewer resources, focusing on major areas, rather than on areas that might yield limited cost savings. He referred members to the list of four strategies identified at the last meeting and suggested that the group discuss whether the list requires revision, including whether there are additional issues that should be included in the list.

Regent Emeritus Smith, attending his first meeting of the group, offered some observations based upon his review of the meeting minutes. He noted the need for the group to stay focused on operating efficiencies. He suggested that the work group needs to clarify its mission and to identify a planning process to accomplish its goals. He said that this process could include identifying the drivers that are forcing change; these include reduced state funding, an outdated state funding method, an outdated tax base, and a turnover rate among legislators of about one-third each year.

Regent Emeritus Smith raised several questions about the UW System for the group's consideration: are there new partnerships to develop to achieve efficiencies; does the System have the best resources possible; and is the System making the best use of the available resources. He emphasized that the group's process should help identify the best uses of resources and what the University needs to change to become more efficient.

Regent Olivieri agreed that it is important to clarify what is expected of this group. He said that he believes it is particularly important to understand legislative and executive expectations about System efficiencies. He indicated that the way to identify those expectations is to involve legislative and executive staff in the work group's process, preferably early in the process. He said that the executive branch typically drives the budget. Director Yates noted that staff from the Department of Administration budget office could be useful for providing the

perspective of the executive branch, but that it would be difficult to identify a staff person to provide a perspective that represents the view of the entire legislature. Regent Olivieri reiterated that it is important to get legislators engaged in the process. Regent Bradley noted that legislators are likely looking for the University to suggest efficiencies; the general expectation is to do more with less.

In the context of a brief discussion about whether the legislature would be interested in “macro” or “micro” issues, Chancellor Sorensen posed the question of whether there is anything the group should not discuss. Regent Emeritus Smith suggested that the University is at a defining moment. The University needs to devise a funding method that leads to stability in funding.

Chancellor Miller noted that buy-in and input would be important, but that the group should do some preliminary work before involving staff from the legislative or executive branches. He suggested that if the group has not focused its efforts, those staff might either address issues too broadly, with general budget reduction goals, or too narrowly, with specific operational issues. Vice President Durcan agreed. Regent Emeritus Smith indicated that it is also important to find ways to consider students and faculty in the process.

Student Representative Halfen stated that he believed that the process should take into consideration the whole student experience and not just academics. Regent Bradley asked whether that would mean that the work group should consider extracurricular activities as part of the requirements to attain a degree. If so, he wondered how institutions would measure involvement in extracurricular activities in order to provide credit for those experiences. Student Representative Halfen said he did not know how to realistically do that; but he believes that his participation in extracurricular activities has been a beneficial part of his academic career and will be a valuable contribution to the skills he will need in the future. Chancellor Sorensen wondered whether those activities could be included in the criteria for obtaining a degree if a method for measuring their value could be developed. Regent Olivieri stated that he believed that this topic might be more appropriate for the Quality of Education work group to consider.

Participants also discussed the role of institutional missions for assuring operational efficiency. Regent Emeritus Smith said that it could be useful to determine to what extent programs support the individual mission of each institution. He said that close adherence to these missions is fundamental for avoiding duplication of programs. While Regent Olivieri agreed that a discussion about institutional missions was worthwhile, he said that he believed that most comprehensive institutions provide a broad array of programs, even though some of the programs may go beyond the institutions’ missions. Regent Olivieri suggested that it could be useful for institutions to consider, hypothetically, which programs they would retain if they were asked to cut a certain percentage of their programs; this exercise might encourage administrators to think about how to coordinate their services and clarify which academic programs are critical to achieving institutions’ core missions.

Professor Seale noted that the group, in identifying a theme, had been discussing a baccalaureate degree, and not a master’s, and had not addressed administrative cuts. Regent Olivieri suggested that administrative cuts would be the group’s next exercise. He said that it

could be useful to explore regional administration of UW institutions, issues surrounding the management of the technical school system and operating and funding of UW Extension. Regent Emeritus Smith suggested several other areas for the group to examine. He suggested a review of trends in institutional spending by function. He also wondered when was the last time that the UW System conducted a comprehensive program review, what were the results of that review, what changes were made as a result, and whether it is time to do another such review. Also, he reiterated the importance of the institutions' missions.

Regent Emeritus Smith suggested work group members consider the theme established at the previous meeting. That theme was "building access while enhancing quality through more efficient progress toward a baccalaureate degree." He said that maximizing access means ensuring that the UW is as operationally efficient as it can be, by maximizing the available resources. He said that previous Board of Regents discussions have led to the conclusion that quality is difficult to define and that quality improvement is primarily a campus-level issue, rather than a System-level issue.

Regent Bradley asked whether the group's focus should be on System efficiencies or campus-level efficiencies. At the campus level, for example, establishing partnerships or being entrepreneurial may be ways of maximizing resources. He encouraged the group to be specific about its focus. Chancellor Sorensen said that there are certain functions that are best administered centrally, such as risk management, purchasing, and safety, and others that should be retained by the institutions. Regent Olivieri said that it is necessary to consider institution-level efficiencies in discussing the System. Regent Bradley noted that the group needs to be cognizant of the fact that efficiencies will not be the same at all campuses.

Regent Emeritus Smith said that the work group should consider whether the University system is structured in a way to maximize efficiency. He and Chancellor Hastad discussed the philosophical issue of whether a system that is operating efficiently and providing high quality services will be limited in size only by its ability to raise revenue.

Vice Chancellor Soll stated that the University's "product" might not be enrollments but, rather, instruction, or the efficient provision of services to meet the educational needs of each individual. This might include services to non-traditional students who are not pursuing a formal degree. If this is the case, size may be less important than the efficiency with which these instructional services are delivered. Chancellor Sorensen encouraged the group, in looking at ways to deliver education efficiently and effectively, to consider how private institutions deliver services and also to consider entrepreneurship, including market prices and how to leverage funds.

Chancellor Miller encouraged the group to develop an operational definition of terms, such as efficiency, that key stakeholders will accept. Chancellor Miller suggested that the group has a shared definition of outputs, but not of efficiency and quality. Regent Emeritus Smith agreed, stating that the University system needs to articulate efficiency in a measurable way that constituents will understand. Another brief discussion about the optimum time to seek legislative or DOA involvement followed. Regent Bradley challenged the group to identify

specific legislative and executive branch contacts to involve in the discussion about a definition of efficiency.

Chancellor Sorensen, referring to earlier comments by Regent Olivieri, summarized several concepts that he said should be at the core of the group's efforts: 1) regionalization of administrative functions (governance of campuses); 2) possible efficiencies with UW Colleges and WTCS; 3) possible efficiencies in the operation of UW-Extension and how it is funded; and, in addition, 4) program delivery.

Regent Bradley reviewed the group's theme, noting that the group had been discussing educating more people with fewer resources and operating the entire System more efficiently to accomplish that goal. This would necessitate using the System's resources to support its priorities and mission.

Chancellor Sorensen raised the issue of whether the group can benchmark against other systems. Director Yates stated that benchmarking can be difficult because of the differences between systems. Vice President Durcan said that it might be possible to benchmark if the work group could identify specific aspects to compare and contrast. Regent Smith said that he believes it is important for the first part of the process to include a broad review of data.

Chancellor Hastad suggested including a review of program array and regionalization. He wondered whether the System has strayed too far from regionalization and whether redistributing programs would make the System more efficient. Regent Amato noted a need to also look at duplication in outreach and other areas.

Regent Bradley cautioned the group to be more focused, since it has a report due in June 2004. Vice President Durcan recalled that the group plans to look early on at the efficiency reports of the past and then move on to other areas. She noted, however, these past efficiency studies did not review structural changes, but rather focused on traditional administrative efficiencies.

Regent Amato said that he believes it is important to review the strengths and weaknesses in the current financial and management systems before addressing larger issues of efficiency. He noted, for example, that each institution uses its own accounting system, making a merger difficult. He also observed that the Board of Regents lacks an audit committee. It was noted that the Legislative Audit Bureau would be issuing a report on administrative costs late in the fall, but the report is unlikely to address the structure of the System.

Regent Emeritus Smith outlined a process he believed could be useful for proceeding. First, he said that the work group should identify and analyze existing data and information, such as the efficiency reports and benchmarking data. Second, the group should lay the foundation for the planning process by articulating such things as: 1) the drivers of change (i.e., what is influencing future changes); 2) what needs to be accomplished, short-term and long-term, in determining efficiencies; 3) what needs to be accomplished from a strategic plan; and 4) what is the group's plan to plan, which would structure the work to be done. Finally, Regent Emeritus Smith suggested identifying the components of operational efficiency that the group is going to

study. These would include: 1) a determination of what structure would be most effective for maximizing efficiency; 2) an assessment of whether the System's resources are aligned with its priorities, including an analysis of trends in institutional spending by function; and 3) a comprehensive program review, to assess which programs need to be continued or discontinued.

Regent Olivieri said that he believed this model for analysis was acceptable, but he also said that it is important to identify concrete issues for the work group to consider. Regent Amato suggested that, rather than investing time in benchmarking studies that are difficult to do reliably, the work group ideally would look at what two combined Systems would look like through a process of "greensheeting." This exercise would allow group members to engage in creative thinking about alternative structures. The idealized management models developed through this process would represent ways in which participants would structure the organization if there were no constraints. Regent Amato also described how WTCS is reviewing and comparing student-to-employee ratios and trying to determine how much it costs per student to support the technical college system.

Chancellor Miller offered some specific revisions to the list of strategies developed at the last meeting. Chancellor Sorensen, Vice Chancellor Soll, and Assistant Vice President Ives offered further suggestions. [These are incorporated into the summary, below.]

On the subject of management data, Regent Amato referred to 2001 staff ratios and said the numbers do not look good. Regent Olivieri noted that it is important to know what programs cost for decision-making purposes. Vice President Durcan asked Associate Vice President Frank Goldberg, who was in attendance, about available data. He said that the Office of Policy Analysis and Research could provide background information on higher education in Wisconsin and surrounding states and could provide cost per student and number of students per faculty. Some information could be provided right away and some in three to four months, he said.

It was agreed that at the next meeting the group would review information, to be provided by the Office of Operations Review and Audit, about past efficiencies reports and other management flexibilities that have not been accomplished. Vice President Durcan noted that some of the management flexibilities relate to the University's relationship with the state and increasing self-sufficiency (e.g., better ways of managing resources and getting quicker approvals).

Regent Emeritus Smith said that data would also be needed on demographic trends in enrollment; degrees granted, by subject; and student demand, by program. Assistant Vice President Ives mentioned that there will be a presentation on demographics at the October Board of Regents meeting. Regent Olivieri said that varying conclusions can be drawn from demographic data.

Assistant Vice President Ives asked the group to consider whether, as part of an examination of campuses' capacities, the group will address capital budget and planning issues, such as campuses' abilities to put up buildings to respond to the need for new programs. Group members indicated that they understood that this would be addressed by another group. Assistant Vice President Ives suggested that this would need to be clarified.

As the discussion was coming to a close, Vice Chancellor Soll remarked that the outcome of this process would be defined through the process itself. Regent Emeritus Smith concurred. Vice Chancellor Soll reminded the group that it did not focus on students as customers as effectively at this meeting as at the last. Chancellor Hastad commented that the focus of the meeting was more on mission, and where should the System invest its funding.

Regent Bradley offered a final opportunity to discuss when the group would like to invite in legislative or executive branch representatives. Academic Staff Representative Kennedy suggested reviewing data at the next meeting and inviting others after that. Regent Bradley agreed. Regent Olivieri disagreed, saying early input is needed regarding the structure of the System. Chancellor Hastad suggested issuing invitations now for meetings in the future. Regent Emeritus Smith posed a question about what kind of input group members are seeking. Regent Olivieri said that involving others in the process is important. In the interest of coordinating with what the other work groups might be doing, it was suggested that Regent Bradley talk with Regent President Marcovich and Associate Vice President Margaret Lewis before proceeding on this front.

The meeting was adjourned at 12:15 p.m.

Summary

1. In the course of discussing the process the group would use, the group's theme evolved and developed. It was suggested that the theme needs to more directly address "operational" efficiencies and that the concept of maximizing our resources should be stated explicitly. There was also discussion about whether "baccalaureate degree" is appropriately identified as the output of the System. The revised theme, which needs to be approved by the group, is:

Building access while enhancing quality by improving operating efficiencies and directing available resources to mission-related priorities.

[*previously*: Building access while enhancing quality through more efficient progress toward a baccalaureate degree.]

2. The list of strategies and components of operational efficiency that the group will examine was amended:
 - Identifying significant unresolved issues from past studies on efficiency; [*same*]
 - Re-thinking instructional delivery, including: [*expanded*]
 - System structure, including centralization and regionalization;
 - relationships among the UW institutions and between UW System and WTCS, including transfer of credits; and
 - the basis upon which degrees are awarded (e.g., competency vs. number of credits).
 - Examining better ways of using campuses' capacities, including: [*expanded*]
 - faculty workload;
 - student support services; and

- use of campus facilities.
 - Reviewing institutional missions, including: *[new]*
 - comprehensive program reviews;
 - operations and funding of UW-Extension; and
 - relationship between UW Colleges and WTCS.
3. The group identified some of its data needs so that future discussions can revolve around information about how the System now operates. Among the items on the list are: a review of past UW System efficiencies reports; cost-per-student by program; faculty workload; trends in UW institutional spending by functional category; and benchmarking information from peers and contiguous states. Some of the data is more readily available than others.
 4. The discussion included varying views on how/when/whether to include executive-branch and legislative perspectives in this process. The timing and approach would need to be coordinated with the other groups.

Follow-up

1. A review of past efficiencies reports, including needed management flexibilities, will be discussed at the next meeting.
2. There is a need to clarify which group is addressing capital budget and planning issues.
3. It may be useful to request information from Academic and Student Services, which has an extensive academic program review function. That office may be able to describe the program review process and answer questions about how decisions are made to continue or discontinue programs. This may be another area, like past efficiency reports, for which early information would resolve questions group members have.
4. In developing a definition of operational efficiency, it may be useful for the group to consider how it will measure efficient operations. For instance, the following questions could be raised, based on the discussion so far: For an institution to be efficient, must every activity an institution performs coincide with its mission? If costs are reduced or are lower than a benchmarked standard, will this constitute efficiency? If duplication (of programs, business functions, certain student services) is reduced, is this efficient? What if costs are reduced, but the functions are handled less effectively? Should any definition of efficiency that cannot be measured be discarded?
5. Although it was decided that the outcomes of the group's process will be defined later, early consideration of the components of a final report might be helpful. For instance, what analyses should it include? Will the report include recommendations? If so, will they be concrete actions for UW System or individual institutions to take? Or will the group recommend long-term studies of certain issues?

Submitted by Sandra Cleveland and Jane Radue