

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

The Achieving Operating Efficiencies Work Group met at approximately 10:30 a.m. at the Pyle Center, Madison, Wisconsin. All work group members were present: Regent Mark Bradley, (Chair), Regent Nino Amato, Vice President Debbie Durcan, Student Representative Alan Halfen, Chancellor Douglas Hastad, Academic Staff Representative Therese Kennedy, Chancellor Jack Miller, Regent Jose Olivieri, Faculty Representative Lisa Seale, Regent Emeritus Jay Smith, Chancellor Charles Sorensen, Vice Chancellor Andrew Soll, and Director of Operations Review and Audit Ron Yates. Among the others present were Regent Guy Gottschalk, Senior Academic Planner Fran Garb, United Council President Jeff Pertl, and Assistant Director of Operations Review and Audit Jane Radue.

Regent Bradley began the meeting by asking for any comments on the November 6, 2003 meeting minutes. Regent Amato made a motion to approve the minutes, Chancellor Sorensen seconded the motion, and the minutes were unanimously approved.

Follow-up on Administrative Efficiencies

Regent Bradley recalled that at the November meeting, the group discussed a strategy for restructuring administrative functions; this led to a request for campuses to submit ideas for efficiencies. Regent Bradley asked Director Yates to provide an overview of the campus responses. Director Yates noted that the memo to chancellors, provosts and chief business officers drew attention to four areas: auxiliary fund management, information technology (IT) management, purchasing and contract management, and travel management. He said that most campuses responded, proposing a variety of functions for review. He said there was agreement that these four areas, with the addition of human resources management, would be an appropriate starting point for future review.

Director Yates went on to list steps that would be needed to review each function, including appointing work groups with expertise in each area; identifying specific processes in which efficiency could be improved; identifying the costs, savings and value of any proposed recommendations; and other steps. He indicated that each review would be a long process, would include job experts, and would require buy-in from top management. Further, Director Yates suggested that those who appropriately could have roles in the process would be: the Board of Regents Business and Finance Committee; a steering committee; a project management team; work groups; and, if funding is adequate, consultants.

Vice Chancellor Soll supplemented Director Yates's summary with several observations. He noted that: 1) it is important to clarify that improving efficiency does not necessarily involve centralization or decentralization of governance structures, even though the request to identify opportunities for efficiency had grown out of the governance-structure discussion; 2) a definition of efficiency should include not only achieving the same output at lower cost or doing more for the same cost, but also should include increasing the value of the output, even if this results in

increased costs; 3) buy-in at the Regent and senior-management levels is crucial, but equally crucial is the need to get buy-in from campus staff who actually perform the administrative functions; and 4) in the process Director Yates described, work-group and steering-group members should be appointed before a consultant is hired so that they can help define the expectations for the consultant.

Regent Olivieri expressed concern about the possibility of including increased value for increased cost as a possible definition of efficiency, noting that the work groups have been operating in the context of limited resources. He recommended that getting more value for more money not be a central theme of the efficiencies report. Vice Chancellor Soll suggested leaving open the possibility of including such items; he noted that instructional technology costs have increased because it is believed that improving technology in the classroom improves quality. Regent Gottschalk mentioned a plan for a forthcoming all-participant session to cover such areas as distance learning, place-bound learning, advanced placement, and dual enrollment. He noted that some areas that require an intensive capital investment up front could yield significant dividends later.

Regent Olivieri, referring to the five administrative areas Director Yates had listed, posed a question about what part of the overall budget these areas would represent. Vice President Durcan noted that salaries and fringe benefits are by far the largest proportion of the budget; beyond that, purchasing, travel and IT are significant expenditure areas. The human resources item could include an examination of efficiencies that could affect personnel costs, the largest category of expenditures. Regent Bradley suggested that UW System staff provide additional information at a subsequent meeting in response to Regent Olivieri's question about the proportion of the budget; Regent Bradley reminded the group of Regent Emeritus Smith's prior advice that specific numbers can help to make a stronger case for change.

As the discussion continued, Regent Bradley highlighted the importance of including the state Department of Administration in the process of reviewing areas for possible efficiencies. State involvement in such areas as IT, purchasing, and travel management could improve the chances of success. In the IT area, for instance, even though the UW System may have unique and significant needs, ultimately there will be a single State of Wisconsin resolution. Regent Gottschalk agreed that involving members of the executive branch and legislature in this process will increase the chances of a positive response.

Regent Emeritus Smith, commenting on state involvement, noted that if the UW System does approach DOA, an appropriate approach would be to ask how, specifically, DOA would like to be involved. The response might be that the UW should develop a plan and submit it to DOA. Regent Olivieri suggested that asking for a plan would be an easy response for either the legislative or executive branches. He stressed the importance of getting their involvement in the development of the plan, so that it becomes more difficult for them to reject the plan. Regent Bradley mentioned that since the Governor wants IT and purchasing issues addressed collaboratively, it could be expected that DOA will work with the UW on these issues.

Chancellor Sorensen opined that what is missing in the discussion of efficiencies is a discussion about the structure of the UW System. For example, questions could be asked about

whether UW-Extension is the most efficient way to handle outreach or whether the two-year UW Colleges system is efficient, or whether the relationship with the Wisconsin Technical College System (WTCS) is efficient. He said he did not necessarily believe operations in these areas should be modified, but he observed that the administrative items from the preceding discussion do not represent major opportunities for savings. Regent Bradley clarified that this discussion follows up on last month's, and discussing these items does not preclude looking at structural issues. Chancellor Miller added that through this discussion, the group is carving out some operating efficiencies that are achievable, but the group can also look at larger issues.

Professor Seale suggested that it is important to look at how the two-year UW Colleges and WTCS operate in collaboration, but also at how the four-year institutions operate separately. Regent Bradley noted the legislature's intent that all campuses be different. Professor Seale suggested that the four-year institutions are more similar than might be assumed, and the group should keep sight of this. She also expressed interest in how the UW Colleges could operate more collaboratively with the four-year institutions.

Academic Program Planning and Review

Regent Bradley invited Fran Garb of the Office of Academic and Student Services (ACSS) to give a presentation on academic program planning and review. Dr. Garb began by noting that her presentation would focus on baccalaureate degrees. Included in the Board of Regents' definition of the baccalaureate degree are: intellectual tools, knowledge for effective citizenship, foundational knowledge in certain academic areas, and career preparation. Dr. Garb noted that the undergraduate population is very regional, and this is a consideration with respect to access and programs.

The components of a baccalaureate degree are general education, academic major, and academic minor/submajor/concentration. Dr. Garb explained that general education is evaluated as a component of NCA accreditation. Academic majors are approved by campus governance and the Board of Regents. Dr. Garb said that there are continuing campus reviews of all academic programs. All new programs are funded through funding reallocation, which is a good incentive for efficiency, Dr. Garb noted. Academic minors/submajors/concentrations are areas in which institutions can be flexible and responsive to changes in institutional emphasis, the market, and student demand. Most new programs come forward as an elaboration of a preexisting submajor.

The steps for new academic program approval are: 1) request for entitlement to plan, during which the request is circulated to all provosts for comments and institutions seek approval from the Associate Vice President, ACSS (sometimes the process stops at this stage); 2) authorization to implement, during which the institution develops a full program proposal that is subject to approval by campus governance and review by two outside experts, a program review committee, and the Board of Regents; 3) implementation; and 4) joint review, which occurs five years after implementation and includes review by a joint UW System-institution review committee, program faculty and staff, and two outside reviewers. The committee recommends continuation, modification or discontinuation of the program; the provost considers the

recommendation in the context of the total program array and forwards the request to the Associate Vice President.

During the discussion that followed, a question arose about how program duplication is resolved. Dr. Garb indicated that some duplication (e.g., in English programs) is appropriate. Also, as previously noted, the regional nature of the undergraduate population influences program decisions. For more unique, lower-demand programs, there is negotiation between the institution and the Senior Vice President for Academic Affairs. Vice Chancellor Soll noted that having all provosts review proposals early in the process is a control point. Also, he suggested that “unnecessary duplication” is a preferable description. Regent Bradley asked whether the process works so well that there is no unnecessary duplication. Vice Chancellor Soll said that some programs could have grown to become unnecessarily duplicative because of changes in demand.

Regent Olivieri, referring to the Office of Program Review and Audit paper on the program review process, noted that there have not been many lateral reviews and these could be useful. He said he is very interested in looking at program array systemwide to see if there is something to “squeeze” from the System; this may have to be done by a third party.

Vice Chancellor Soll clarified that a program is usually a collection of courses that lead to one or more majors. Eliminating a program may or may not result in savings, because it does not reduce faculty. He also noted that in some other states, such as Illinois or Nebraska, there is a central coordinating agency (e.g., a statewide board of higher education) that reviews programs.

Regent Bradley recognized Jeff Pertl, President of United Council, who asked: 1) Is there a systemwide plan to emphasize specialization among campuses? 2) If so, what does that mean for prospective students, especially in light of the regionalization that Dr. Garb had mentioned? Dr. Garb commented that students do not necessarily choose a UW institution based on a specialty. Vice Chancellor Soll added that the majority of students are either undecided when they enter as freshmen or else change their original majors. Dr. Garb also noted that ACSS recently presented data to chancellors and provosts on what programs are left over after English and other essential programs are considered. Those data, along with data on low-enrollment programs, can be considered for decision-making. She also noted that there is enthusiastic support for greater differentiation among the institutions.

Chancellor Miller suggested it would be appropriate to reduce expectations about the extent to which duplication can be eliminated. He said that the program review process is a good process, but the reallocation/deallocation that must occur before a new program can be proposed is an even greater check and balance. Also, he noted that it is difficult to maintain differentiation, because the natural tendency is for all institutions to offer everything. The check on this is financial.

Regent Emeritus Smith suggested two key questions: 1) Is there an ongoing process of evaluation in place to minimize unnecessary duplication? 2) Is there a process in place to ensure

that the budget is invested in mission-critical programs? He noted that the cost of programs could be better understood, and the costs should be tied to revenue.

Student Representative Halfen suggested that an example of a program that may be unnecessarily duplicative is one with four students and three faculty members. He suggested that students should consider attending a campus farther from home if the closer institution does not offer the program that they want, noting that the UW already promotes cooperatives, study abroad and internships to encourage students to go out into the world.

Director Yates discussed some points from the Office of Operations Review and Audit paper, *Using Program Reviews to Assure the Efficiency of Academic Programs*. He reiterated that there is an incentive to reallocate funds to create new programs. He cited Robert Dickeson, an author on prioritizing academic programs, who supports the need to consider the efficiency of these programs. In addition, Director Yates suggested that low enrollment is not the only consideration in assessing program efficiency, but low enrollment may be an indicator that a program should be reviewed. Perhaps if a program has both low enrollment and high costs, then elimination would be appropriate. Cost data can be used to support decisions about academic programs. Other types of review that would be useful are: 1) reviews of low-enrollment programs, similar to the one UW-Madison conducted, or of programs with low graduation rates; 2) more lateral reviews; and 3) use of peer data and benchmarks, such as those developed in the Delaware Study of Instructional Costs and Productivity, in which three UW institutions have already participated.

Group members discussed whether UW institutions currently study their costs. Chancellor Sorensen recalled a college-by-college analysis at UW-Stout, but it was not systematic. Chancellor Hastad said cost analysis has been done at UW-La Crosse, but it is very complicated. A social work program with three faculty, an LTE clerical position, and eight students was eliminated as not cost effective, but putting a cost factor on programs is not always easily done. Chancellor Miller noted that each year an analysis is done at UW-Whitewater with respect to position requests and allocating positions; the analysis includes teaching hours and available funding. Also, he noted that the Delaware study has detailed data on costs and other areas, so there are points of comparison. He suggested a better job could be done of directly tracking costs to outputs. Vice Chancellor Soll remarked that the types of analyses being discussed require administrative involvement and therefore entail costs themselves.

Regent Bradley suggested that this might be an area in which DOA involvement is needed. He wondered whether most state government agencies know their costs. Debbie Durcan noted that higher education, as an industry, is not good at calculating its costs. Vice Chancellor Soll suggested the need for precision in terminology: “costs” are different from the “cost of attendance.” Chancellor Miller said that “cost per student” or “average GPR per student” are commonly used in discussion, but these do not necessarily equate to the “cost of production.”

Regent Olivieri said that the issue of understanding costs comes up in other contexts, as well. For example, a consultant did a cost analysis for a community organization in Milwaukee, and the results included recommendations to not offer certain products because they are too

expensive. He said that at a time of limited resources it may be necessary to set a target, such as elimination of ten percent of programs; otherwise it can be too easy to avoid decisions about cost cutting. Chancellor Miller asked whether the goal would be a percentage of programs, or a percentage of costs. He reiterated that cutting a percentage of programs could lead to no cost savings. Also, currently any cuts in programs are reallocated. Regent Olivieri said that the goal would be a net reduction, rather than a reallocation. Chancellor Miller noted that institutions are used to doing percentage cuts in budgets, but program reviews may not reduce costs.

Regent Amato suggested that it is possible to do only so much by cutting costs, and eventually redesigning is necessary. Vice Chancellor Soll noted that when institutions have faced major cuts in the past, they have been instructed to protect the instructional mission. It may be necessary to think differently about this in the future.

With the end of the meeting nearing, Regent Bradley raised the possibility of meeting in January to finish the December agenda. Looking ahead to the rest of the group's process, he said that the group would likely need to develop recommendations in March, start the process of drafting, and review drafts in May.

The meeting adjourned at approximately 12:35 p.m.