

MINUTES OF THE
REVENUE AUTHORITY AND OTHER OPPORTUNITIES WORKING GROUP
OF THE
BOARD OF REGENTS OF THE UNIVERSITY OF WISCONSIN SYSTEM

UW – Extension
Pyle Center, Room 320
Thursday August 21, 2003
12:30 P.M.

- Regent Axtell presiding -

PRESENT: Regent Pruitt, Regent Emeritus Steil, Chancellors Shepard and Markee, Interim Chancellor Greenstreet, Senior Vice President Olien, Associate Vice President Harris, and Acting Assistant Vice President Richards

ABSENT: Regent Gracz

OBJECTIVE

The group explored the nine topics outlined in the agenda. “Adopting a New Business Model”, “Evaluating Risk Management”, and “Increasing Self-Sufficiency” were designated as three mandatory topics to focus on, and the group was instructed to determine which other three topics it would like to focus on, either from the list provided, or a new idea. At the next meeting, there will be additional discussion, and the topics picked will be prioritized. Senior Vice President Olien also discussed the Resources list, saying that group members should feel free to read items they find of interest. If anyone feels they have read something that would be of use to the group, Senior Vice President Olien will have it copied and distributed to the group as a whole for discussion. The list can currently be found on <http://www.uwsa.edu/srvpadm/study/resources.htm>, but will soon be moved to the Board of Regents website.

ADOPTING A NEW BUSINESS MODEL

Senior Vice President Olien began this discussion by saying that competitors in the higher education market have changed. For example, high cost systems such as the University of Phoenix On-line have recently entered the market. Due to changes in the market, he stated that the UW System may want to adopt differential pricing models that would target certain audiences in which academic disciplines would be assigned varying tuition costs. Senior Vice President Olien also stated that there are new opportunities in various areas for various UW

institutions, where there is strong market demand and support. The specific areas will be discussed later in future meetings.

EVALUATING RISK MANAGEMENT

Senior Vice President Olien stated that because the UW System must begin to determine how it can become more efficient in this area, it currently has a contract with an outside firm to evaluate how risk management is handled. Although it is difficult to tease out actual costs to compare with revenue generated through tuition, Senior Vice President Olien stressed how important it is that tuition revenues not subsidize other state agencies. He provided some information on the University of Michigan's captive insurance program and other examples of multiple higher education systems considering shared captive insurance systems. He explained that one risk of cooperative ventures like these is that we do not take on the property risks of institutions located in high cost-of-living areas. Risk management is one area where Senior Vice President Olien believes there is high potential for major cost savings.

INCREASING SELF-SUFFICIENCY

The group heard Vice President Olien state the UW needs to be more self-sufficient in areas such as procurement and personnel. He explained that this is an area where the group will be looking for input from every member since it is another place where money can be saved.

The group was then asked if anyone had any questions regarding the three mandatory issues to be studied. Regent Pruitt asked who would be opposed to risk management and Senior Vice President Olien responded that external insurance companies might be opposed. He also stated that if there currently is a subsidy of other state agencies through the UW's tuition revenue, state government would have concerns. Chancellor Shepard said he believes there is an opportunity for savings in the UW System and on each individual campus with increased self-sufficiency. He also stated that he thinks a more entrepreneurial business model providing different incentives to generate revenue and increase partnerships and collaboration is something to consider. Senior Vice President Olien suggested looking to the private sector and possibly inviting someone from the UW Hospital to talk to the group. Regent Emeritus Steil said he thinks the Department of Administration might be opposed to changing UW's risk management because of the loss and damage to the state, and that there is a lot of gray area in the matter. Regent Axtell stated that the magnitude of savings through risk management must be determined; Regent Emeritus Steil replied that the savings would be very substantial if the UW entered into a risk management partnership with a system of comparable risk levels.

Turning to the self-sufficiency issue, Interim Chancellor Greenstreet stated that he believes there is great potential for more flexibility on their campus and throughout the System. Senior Vice President Olien responded by saying that a new business model will not be possible without improved flexibility. Chancellor Shepard voiced concern over the amount of material the group has been asked to study and the need to prioritize issues. Senior Vice President Olien replied that in the next couple meetings, the group would go into more detail about a new business

model and would set priorities when representatives of the shared governance groups begin participating.

ENHANCING REVENUE BY FOCUSING ON NON-TRADITIONAL MARKETS

Moving on to the other recommended areas of discussion, Senior Vice President Olien began the discussion of enhancing revenues by reaching non-traditional student markets. He provided the example of Oregon offering differential pricing incentives to entice students to attend classes at less popular times of the day in order to achieve a fuller utilization of physical plant. Another example given was that some campuses are considering moving to a more full-time operation; twenty four hours a day, seven days a week. The reason for all these changes, said Senior Vice President Olien, is that the student body market and their needs are changing. He stated that we shouldn't write off these markets if we want to try and realize some revenue in this area, and that this will be a more long-term adaptation issue for the group. Regent Axtell asked how the UW could reach these people, other than the corporate colleges already in existence in places. Senior Vice President Olien responded that where companies will pay the costs for institutions to come in and teach programs to employees is an important area to pursue. However, he stated that he also believes there are other continuing education niches the UW needs to look examine.

USING DIFFERENTIAL TUITION TO MEET STATE NEEDS

Associate Vice President Harris led the discussion on this topic by explaining that costing out (charging the actual costs for) certain professional programs is something to consider. She stated that there is also a question of whether or not the UW should be charging a higher differential tuition in programs where there is a high demand, as we do with some MBA and the Allied Health programs. Regent Axtell asked whether that would mean separating the law, medicine, and veterinary medicine programs completely. Associate Vice President Harris responded that they could be priced to help cover costs or be priced to be completely self-supporting; however, these programs are basically priced to cover costs already. She explained that programs where we know we need to build capacity could also be priced in this manner. Regent Pruitt added that differential pricing differences should also be considered between campuses, not just academic programs. Associate Vice President Harris pointed out that another issue to be considered is the difference in the student capacity to pay between the Colleges and the Comprehensives and between the Comprehensives and the Doctorals.

PROVIDING FEE-FOR-SERVICE PROGRAMS TO THE PRIVATE SECTOR

Associate Vice President Harris explained that this area includes corporate colleges and other programs developed to meet business' specific higher learning needs that will help with economic development in the state. Regent Emeritus Steil pointed out that there is a policy regarding competition with the private sector and suggested that the group be provided with that document. Chancellor Markee shared with the group UW – Platteville's experience in negotiating with businesses and how it is touchy ground. He discussed UW – Platteville's current ventures in this area with Land's End and Kimberly Clark, saying that there are many opportunities like these for

all campuses. However, Chancellor Markee noted that many of these ventures are currently considered public service that serve to improve the regional economy. Regent Axtell asked whether or not programs like this could be done on a cost-plus basis and Chancellor Markee responded that yes, programs could be run this way, as long as the business has the money to do so. Regent Axtell expressed his concern that we too often shy away from cost-plus programs that would provide additional revenues, when we should actually be seeking out these opportunities. Interim Chancellor Greenstreet stated that cost-plus programs are often more difficult to develop since they generally require a more innovative reason for cooperation than public service programs.

CREATING A CENTRAL FUND TO SEED NEW VENTURES

Senior Vice President Olien began this topic of discussion by saying that currently, there is no central investment fund at either the System or campus level to seed new ventures, and this restricts our ability to innovate. He stated that this is an area where we need to be proactive at both the System and campus levels.

HELPING CAMPUSES BUILD FUNDRAISING INFRASTRUCTURE

Related to the previous topic, Senior Vice President Olien stated that campuses need help building their fundraising infrastructure, but that this infrastructure would vary by campus, depending on disciplines, size of campus, age of alumni, etc. Currently, campuses have separate fundraising efforts, but one possibility is to merge fundraising back office functions among campuses to be managed regionally or centrally in order to achieve economies of scale. Chancellor Shepard stated that UW – Green Bay donors voice concern over whether the money they give goes directly to that institution or if it goes to the System as a whole. He explained that UW – Green Bay is part of the UW Foundation, and the cost savings realized due to this membership is greater than any money lost due to donors being concerned what their money is supporting. Regent Emeritus Steil said he believes there was a fundraising study done in the past and that this topic will become more and more important as State support declines. Chancellor Markee replied that he doesn't believe it should be a high priority for the group because Chancellors are already working together in this area. Senior Vice President Olien added that any new Chancellors in recent years have only been hired if they had been successful at fundraising efforts in the past; Interim Chancellor Greenstreet agreed. It was agreed that the Chancellors would meet on this issue in the future, outside of this working group.

RE-EVALUATING COHORT AND PER CREDIT TUITION

Associate Vice President Harris began the last topic of discussion by explaining that cohort tuition means that the same tuition rate is guaranteed for all four years. The main concern with this approach to tuition, she stated, is whether it separates price too much from actual costs. Institutions may also increase the cohort tuition simply for fear of future budget cuts, which would be unfair to students. Chancellor Markee pointed out that cohort tuition could also be

applied for two, rather than four years. Acting Assistant Vice President Richards explained that per credit tuition means that the amount each student is charged depends on how many credits he or she takes. The positives associated with this approach, he explained, are decreased time-to-degree, ease of transfer between institutions, and administrative efficiencies. Chancellor Shepard stated that eliminating the plateau model currently in use would make partnering among institutions much easier. Regent Axtell questioned whether this is a differential tuition issue, and Senior Vice President Olien replied that it should be kept separate. Acting Assistant Vice President Richards explained that per credit tuition programs are generally revenue-neutral, while differential tuitions generate additional revenue for campuses. Associate Vice President Harris suggested placing all the tuition issues in one big category that the group undertakes in the study.

Associate Vice President Harris suggested an outline for the topics the group will study. (It can be found on the following page.) The group agreed that this was a good starting point, but that issues of lesser importance may have to be dropped if time constraints occur. Senior Vice President Olien suggested that the group revisit the preliminary outline in two weeks when the faculty, academic staff, and student representatives join the group. At that time, he stated that the group will have to finalize the outline that will serve as the group's starting point. Regent Axtell added that he would report this progress to the Board when it reconvened.

The following preliminary outline is a summary of the items the group will be focusing on. As the group moves forward, additions, deletions, and other revisions will be made as needed. The issues outline below will be prioritized at the September meeting.

I. Increase Revenue Flows

a. Tuition

- i. Creating New Revenue Options (Non-resident and non-traditional, cluster differences, etc.) – The make-up of the higher education market segment is changing, as are their needs. The System must decide which market segments it wants to focus on and how it will reach and attract those markets. It must also look at the tuition differences between the Doctorals, Comprehensives, and Colleges.
- ii. Differential Tuition – Higher tuition could be charged for high-demand programs and those where we need to build capacity. Tuition could vary among academic programs as well as among institutions themselves.
- iii. Cohort and Per Credit Tuition – Cohort tuition guarantees a tuition rate for a set number of years, but it is hard to determine actual costs a number of years in the future. Per credit tuition often decreases time-to-degree, makes it easier to take classes from multiple campuses, and allows for administrative efficiencies.
- iv. Fee for Service Programs – This area includes corporate colleges and other programs with businesses. If more of these programs were set up on a revenue generating manner instead of as a public service, revenue flows could be increased.

- b. Fundraising Infrastructure – Each campus will have a unique infrastructure. It would be possible to merge functions across the System to realize cost savings. This is an issue that has been and will be discussed by the Chancellors more in the future.

II. Maximize Current Revenue and Increase Self-Sufficiency

- a. Evaluate Risk Management – This is an area where there could be substantial cost savings to the System. Currently, there is an outside firm evaluating this issue. Captive insurance programs and collaboration with other higher educational institutions are options that can be considered. Tuition revenue should not subsidize other State agencies.
- b. Increase Self-Sufficiency – If the System were self-sufficient in areas such as procurement and personnel, there could be savings. There are many other areas where this could be true. The group will expand on areas where self-sufficiency could result in cost savings.
- c. Interest on Tuition Revenues – The System should be able to keep the interest generated on tuition revenues.

III. Increase Incentives for Entrepreneurship

- a. Create Central Fund to Seed New Ventures – Money is needed in order to be more innovative, increase partnerships, and increase attractiveness to potential students. This issue is directly related to the ability to raise funds.