

Recommendations for the 2009-11 Biennial Budget UW Colleges Budget Planning Work Group

Background and Charge

In January, 2009, Chancellor David Wilson formed a joint Budget Planning Committee (BPC) for UW Colleges and UW-Extension. That group recommended the further formation of a separate committee for each institution, which would recommend the specific details of how each institution should respond to required budget reductions. The institution-level committees will advise the joint BPC, which will, in turn, advise the Chancellor. The UW Colleges committee is referred to as the Budget Planning Work Group (BPWG).

Chancellor Wilson met with the BPWG at its first meeting and issued the following guidance:

- Everything should be on the table. The group should go into unfamiliar places when considering its recommendations.
- Look for long-term strategies that will place the institution in a better place than it is now.
- Consider how we can use UWC Online to capitalize on our growth opportunities. Serious dialogue may be needed with the faculty as we further develop UWC Online.
- Discuss the percentage of faculty/IAS; be sure we are following a sustainable staffing model.
- Consider the need to move out across the state and not just be confined to 13 campuses.
- Scrutinize central office operations, but the single institution structure must be maintained.
- Be careful about the need for confidentiality in deliberations. Some subject matter may affect personnel and be of a sensitive nature.

The members of the Budget Planning Work Group are listed in Appendix 1, page 12.

Timeline and Process

The work group met on four consecutive Mondays from March 9th to March 30th, 2009, with each meeting lasting between four and seven hours. The work group members were also tasked with significant review work between meetings. The entire institutional budget was reviewed in detail, and members felt well-informed of their options.

Approach

The work group approached its work in two phases, as follows:

- Phase 1: Resolve the lapse (one-time) requirement of approximately \$2.09 million.
- Phase 2: Resolve the recurring (base) requirement of approximately \$1.6 million.

Phase 2 recommendations take three primary forms:

1. Specific actions to correct inequities in staffing and/or resourcing, which have accrued over the years.
2. Institution-wide restructuring initiatives affecting several functional areas, designed to build long-term capacity.
3. Across-the-board reductions to campuses/divisions to cover any remaining base reductions.

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Approach (cont'd)

Many cost-reducing, revenue-enhancing strategies were discussed by the group. Ultimately, strategies were only included in the recommendations if a specific savings amount could be estimated.

The work group relied heavily on financial, staffing, and other data to inform its recommendations. Statistical regression models were used, when appropriate, because it allowed the work group to consider the effects of campus size and economies of scale. The work group consulted a variety of subject matter experts from the institutional office when considering its recommendations for organizational restructuring.

The work group did discuss the role that the institutional office operations should play in the 2009-11 budget actions. A list of all institutional office staff and their work units was reviewed and discussed. Specific institutional office recommendations are not included in this report, but ideas will be discussed with the chancellor and the UWC/UWEX Budget Planning Committee.

Perspectives

The Budget Planning Work Group found guidance in the charge set forth by the chancellor and took its responsibility very seriously.

Work group members found this task to be extremely difficult, both professionally and personally. Unfortunately, the recommendations contained in this report would involve job reductions, which the work group members find most regrettable. However, UW Colleges is at a pivotal moment in its history. Never before has the institution faced so many serious challenges. The key to future success lies in transformational change that will build long-term capacity. Dramatic actions are needed to place the institution on stable financial ground, and to meet the goals set forth by the chancellor.

The committee recognizes that the chancellor, as leader of UW Colleges and UW-Extension, is the primary authority to determine when, and to what extent, the budget planning procedures described in this document are activated. Due to time constraints faced by the committee, many of the recommendations in this report will require much more analysis and discussion before they can be implemented.

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Lapse Recommendations

The amount of the anticipated UW Colleges lapse is unprecedented, being equivalent to a one-year 3% GPR cut. Lapsing this amount exclusively from fund 103, even over a span of two years, would cause severe disruption to the institution's academic program. For this reason, program revenue balances were considered and play a significant role in the work group's recommendation.



UW Colleges should take the following actions to meet the anticipated lapse requirement of \$2.09 million in 2009-10:

- Fund transfers from other instructional and non-instructional programs
 - Fund 136: \$945,000
 - Fund 132/189: \$405,000
- Temporary budget actions
 - Suspend Lab Modernization funds 09-10: \$242,600
 - Suspend ASI implementation 08-09: \$190,000
 - Suspend ASI implementation 09-10: \$125,000
 - Partially lapse library DINs 09-10: \$50,000
 - Partially lapse curricular redesign funds 09-10: \$29,400
 - Suspend department assessment meetings 09-10: \$28,000
- Undesignated lapses
 - Undesignated lapse: \$75,000

Program revenue balances in fund 128 were briefly considered. The work group rejected the idea of further lapses against fund 128 due to the severity of lapses taken against auxiliaries in the governor's 2009-11 budget proposal.

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Base Recommendations

1. *UW Colleges should reduce its 103 base expenditures by a total of \$1.6 million:*
- *\$.3 million in response to the state 1% across-the-board GPR reduction*
 - *\$1.3 million, to accommodate a permanently-reduced level of tuition revenue being generated by campuses*

Rationale

Campus 103-based enrollments softened approximately five years ago, creating a 103-based tuition revenue shortfall. While this situation has since improved, an annual shortfall of approximately \$1.3 million still exists.

The work group considered, and subsequently rejected, the idea of combining UW Colleges Online revenue with the campus 103-based tuition pool. Such a move would avail the pool of the estimated \$1.0 million in profit generated by UWC Online annually, and reduce the impact of this recommendation by the same amount. This idea was rejected for the following reasons:

- It would eliminate the current UWC Online profit margin
- It would obscure campus understanding of ongoing financial responsibility for the reduced revenue level
- It would limit the use of financial incentives for partnering in UWC Online growth
- It would abate opportunities for change

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Base Recommendations (cont'd)

2. ***UW Colleges should adopt specific changes to its operating and fiscal models no later than 2010-11.***

Rationale

The current “pooled” fiscal model is unsustainable in the contemporary higher education marketplace because it lacks critical links between performance and incentives/consequences. Simply adjusting the budget without corresponding corrections to the institution’s operating model is an unsustainable strategy and will lead to long-term failure.

An assessment of the integrated enrollment management pilot should be performed. It will yield critical information that should be considered along with these recommendations.

Specific recommendations are as follows:

(*Note: Recommendations 2a and 2b should be considered together.*)

- 2a. ***All tuition revenue responsibility should be decentralized to campuses.***

Rationale

Assignment of a specific tuition revenue target to campuses is an essential element of fiscal accountability and solvency, which the current system lacks. Further study is needed to ascertain the degree to which “safety nets” should be included in the model.

- 2b. ***UW Colleges Online revenue should be shared with campuses according to a model which provides direct incentives for partnership and growth.***

Rationale

UW Colleges Online has tremendous growth and revenue potential. It has opportunities to expand its market share easily without physical limitations. Establishment of a clear, understandable, and predictable revenue-sharing model would strongly encourage collaboration and cooperation, while discouraging resistance. Building partnership with UW Colleges Online must be seen as a key component of future campus financial health.

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Base Recommendations (cont'd)

3. *UW Colleges should enact several initiatives to restructure and reorganize support services, in an effort to reduce cost while maintaining or growing tuition revenue.*

Rationale

UW Colleges is an extremely cost-efficient institution by most measures. Services are delivered in a particular way, through a particular staffing configuration that is believed to deliver the highest level of service with the resources available. In most cases, these staffing configurations are rarely, if ever, evaluated for possible cost reduction. The 103 budget reductions present a valuable opportunity for this type of review, which holds the potential to build long-term institutional capacity through restructuring.

Two specific recommendations are being made in this area:

- 3a. *Several Business Services functions currently performed on campuses should be centralized for greater cost-efficiency.*

Rationale

Many business services activities are performed on campuses, by campus staff, because local delivery provides the highest level of service to clients with the resources available. Examples of these activities include:

- Accounts payable
- Accounts receivable
- Procurement
- Travel

A number of these activities could be consolidated and performed centrally at reduced cost, albeit with a reduced degree of client service. These areas should be studied for possible restructuring in ways that (a) reduce cost, (b) maintain reasonable service levels, and (c) protect revenue.

Estimated minimum base savings: \$250,000 & unspecified FTE

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Base Recommendations (cont'd)

- 3b. *UW Colleges libraries should be reorganized to deliver essential services to students and faculty at lower cost.*

Rationale

UW Colleges has 13 individual campus libraries that are staffed with a combination of professional, clerical, and LTE/student positions. Several back-office services are provided through the Library Support Services unit located at UW-Fond du Lac, including acquisition, cataloging, and technology support.

Recognizing that geographic diseconomies exist within the UW Colleges, the institution still provides a high level of permanent staffing to its libraries when compared with other UW and national institutions. Library services should be restructured to take maximum advantage of the “one institution – one library” model, while preserving the current level of campus-based library oversight and services.

It is important to note that no specific restructuring model is being recommended. Further analysis and discussion is required prior to the implementation of any new model. Consultation with an outside university library expert should be considered, and/or a small task force should be formed to address restructuring options and recommendations.

Estimated minimum base savings: \$500,000 & unspecified FTE

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Base Recommendations (cont'd)

4. ***Existing instructional capacity should be optimized to enhance revenue and reduce instructional cost.***

Rationale

The process of building the annual instructional budget, like that of other 103-funded areas, is largely one of inertia. Each new budget uses the preceding budget as a base, from which modifications are made. While a detailed analysis of enrollments and curriculum occurs at both campus and institutional levels, the instructional budget is neither formula-driven nor zero-based. Therefore, inequities can and do accrue.

Specific recommendations are as follows:

(*Note: Recommendations 4a and 4b should be considered together.*)

- 4a. ***Excess enrollment capacity on all campuses should be reduced to a reasonable level.***

Rationale

Analyses show that every campus has course sections that could be eliminated without reducing enrollments. This condition exists when there are multiple sections of the same course being offered, but the combined number of available seats exceeds the size of one section. Consideration should be given to sections which exist to serve specific audiences or clients, so that enrollment and revenue is not reduced. Strict attention to the quality of the curriculum and protection of enrollments should be observed.

Estimated minimum base savings: \$219,000 & approximately 4.0 FTE (IAS)

- 4b. ***Increase instructional capacity by adding two-three students per section.***

Rationale

Additional enrollments should be accommodated beyond existing course maxima. In many cases, the increased capacity could allow the number of sections offered on each campus to be reduced. The work group feels that this increase will not undermine academic quality. Further, the estimate is sufficiently conservative to minimize risk to the academic program, student access, and revenue.

Estimated minimum base savings: \$281,000 & approximately 10 FTE (IAS)

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Base Recommendations (cont'd)

- 4c. *Campus-specific adjustments should be made to instructional staffing, using benchmarking data.*

Rationale

Regression data was analyzed which compares campus enrollments with the number of instructors provided through instructional budgets. Instructional budgets should be adjusted for campuses with exceptionally high or low levels of instructional staffing, when compared with other campuses. Necessary adjustments should be made through IAS budgets.

Estimated base savings: \$164,600 & approximately 3.0 FTE (IAS)

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5. *Campus-specific adjustments should be made to Physical Plant staffing, using benchmarking data.*

Rationale

UW Colleges regularly uses regression benchmark data to determine if addition/contraction of campus building space warrants a reallocation of existing physical plant staff positions among the campuses. Base budget adjustments should be made for campuses showing exceptionally high or low levels of physical plant staffing, when compared with other campuses.

Estimated base savings: \$83,400 & approximately 2.0 FTE

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Long-Term Strategies

There are many strategies on which the institution should work which show potential to both reduce costs and stimulate growth of new revenues. While the immediate financial impact of these ideas cannot be quantified for inclusion into the budget, the work group recommends that serious discussion of these ideas take place.

- Financial incentives should be developed for campus/department partnership in UW Colleges Online and other revenue-generating ventures, such as contract consulting.
- Best practices for maximizing instructional capacity should be examined, including point-to-point delivery and partnerships with UW Colleges Online.
- Campuses should use instructional and non-instructional benchmarking data to make more data-informed staffing decisions. Campuses and departments should strengthen their use of enrollment data (SCH/course and SCH/instructor) to accomplish academic, professional, and financial goals.
- The effectiveness of instructional technology training and support should be reviewed to ensure maximum return on investment.
- The structure and role of the Grants Office should be assessed to determine return on investment.
- Revenue-awareness efforts should continue at the institutional, campus, and department levels.
- Efforts proven to increase student retention should continue to be supported and expanded. Student retention increases revenue now and into the future.
- Institution-wide, the areas of student services and information technology should be reviewed to determine if restructuring would yield value or savings. The work group did not include those areas in its analysis because:
 - a. Of time constraints
 - b. Any savings generated should be reinvested into those units to support both student enrollments/revenue and technology infrastructure.
- The cost of maintaining the existing governance structure, policies and procedures should be reviewed, and deliberate decisions made regarding continued investment at that level.
- The UW Colleges should establish a spring semester convocation day in exchange for the many individual department meetings which take place throughout the semester. Classes should not be scheduled on this day and coordinated travel arranged, similarly to the fall convocation.

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Attachment 1

Members of the UW Colleges Budget Planning Work Group

- Rick Hein – Associate Professor of Biology, UW-Manitowoc, & Chair, UW Colleges Senate Budget Committee
- Cary Komoto – Professor of Geography, UW-Barron County, & Chair, Academic Department Chairs
- Richard Krupnow – Lecturer of English, UW-Fox Valley, & Academic Staff Senator
- Greg Lampe – Interim Provost & Vice Chancellor for Academic Affairs, UW Colleges (*Facilitator*)
- David Nixon – CEO/Dean, UW-Washington County
- Thomas Pleger – CEO/Dean, UW-Baraboo/Sauk County
- Steve Wildeck – Vice Chancellor, Financial and Administrative Services, UW Colleges & UW-Extension
- Colleen Godfriaux – Budget Director, UW Colleges (*staff to the work group*)

Recommendations for the 2009-11 Biennial Budget UW Colleges Budget Planning Work Group

Attachment 2

UW Colleges Budget Planning Work Group Recommendation Summary

Lapses

Fund Transfers

Fund 136	945,000
Fund 132/189	405,000

Program Reductions

Lab Modernization 09-10	242,600
ASI Delay 08-09	190,000
ASI Delay 09-10	125,000
Library DINs	50,000
Curricular Redesign 8800	29,400
Assessment Mtgs	28,000
Unspecified Reductions	75,000

Base Reductions

Restructuring Action

Instructional Capacity	500,000
Business Services	250,000
Libraries	500,000

Targeted Position Reductions

Instructional benchmarking	164,600
Physical plant benchmarking	83,400

Unspecified Reductions	102,000
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2,090,000	1,600,000
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Target Reductions	2,090,000	1,600,000
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