

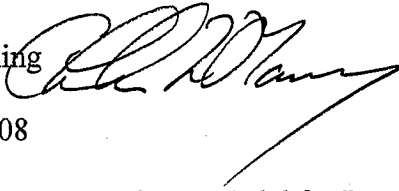


## Tennessee Board of Regents

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### MEMORANDUM

TO: TBR Presidents

FROM: Charles W. Manning 

DATE: November 20, 2008

SUBJECT: Board Action on a New Business Model for Long Term Productivity Enhancement

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Due to the financial condition of the state of Tennessee, the Tennessee Board of Regents system is facing additional reductions in our state funding base. As an illustration, our universities took a 5.9% reduction going into the current fiscal year and an additional 3.5% reversion this fall. There likely will be an additional reduction of 10% or more going into the 2009-10 fiscal year for a total minimum reduction of 19.4%.

This level of decrease in state appropriations coupled with the fact that economic conditions are not expected to improve for at least a couple of years suggests that the Tennessee Board of Regents institutions need to develop and implement a new business model. The attached paper is a draft addressing how the Regents might approach creating a framework and structure for a longer term response that will bring the system to a greater level of productivity. Our campuses are making immediate budget adjustments using the standard set of cost reduction steps such as freezing positions and travel, cutting non-salary budget lines, and reducing reserve account balances. However, we need a longer term strategy to bring operations to a new and more productive steady state condition. This paper is a starting point in creating a broad framework for making the changes necessary to achieve this outcome.

Let me emphasize that this effort is not critical in any way of what people are doing now; rather, it is a means of determining the most important things we need to be doing in this changed economic environment. We cannot continue with business as usual and expect to accomplish our mission. The board does not expect or want overnight changes. It is important that we engage in an inclusive discussion process, which will take time and the participation of many people. A new business model means that people will be approaching their jobs differently, and it will take time for that to be defined, accepted and implemented.

Based on our discussions with the Regents at its November 18 meeting of the committee chairs, I believe the board will formalize its approval of this undertaking at December's meeting. I also believe they will approve a policy permitting furloughs as a short-term expedient in dealing with

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Cleveland State Community College • Columbia State Community College • Dyersburg State Community College  
Jackson State Community College • Motlow State Community College • Mississippi State Technical Community College  
Roane State Community College • Southwest Tennessee Community College • Volunteer State Community College  
Walters State Community College • Nashville State Technical Community College • Northeast State Technical Community College  
The Tennessee Technology Centers

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budget reductions, although we are still considering how furloughs might apply to faculty. I also expect the board to approve a policy of charging tuition and fees per credit hour with no cap. As you will see in the revised draft, the latter change offers a number of intriguing possibilities.

In terms of next steps, I expect the board to appoint at the December meeting a subgroup that will oversee this effort, probably the Academic Affairs Committee with some additional members. We haven't yet resolved all aspects of how the effort will be carried out, although we anticipate that the sub-councils will consider these matters along with the presidents' council. Please share this memo and the attached paper with your campus so we can all think through these issues together. We would appreciate a summary of thoughts from your campus about the substance of the ideas presented in the attached paper, additional ideas people may have, and suggestions on how the process might best proceed. If we could have those summaries by March 1, that would be very helpful. The end product we are seeking sometime in the spring is a framework and structure approved by the board within which our campuses can proceed flexibly to implement one or more new business models for delivering higher education.

Our strategic planning process for 2010 to 2015 should be informed and guided by this effort to create a new business model for our operations. Unlike previous strategic plans, this one needs to focus not on all the new things we want to do, but on what things we want to stop doing and more importantly those we want to do differently. Reduced resources are a fact of life and will remain so at least for the next several years. If we are successful at some point in obtaining new resources, the work we have done on increasing productivity with fewer resources will serve us even better in making effective use of the additional ones. The board appreciates your willingness and that of your faculty and staff to face this significant challenge with creativity and intelligence as we continue about our mission of educating Tennesseans.

CWM/pa  
Attachment

**TENNESSEE BOARD OF REGENTS**  
**Moving Toward a More Efficient, Productive Business Model**

**11/20/08 Draft**

**SITUATION:**

The state of Tennessee is facing significant economic decline with large reductions in tax revenue and substantial additional cuts planned for public higher education. State resources for higher education will be very limited for the foreseeable future.

**MISSION:**

The central mission of the Board of Regents system is to raise the education and skill levels of Tennesseans. The state's economic future is strongly dependent on an educated and skilled work force. It is incumbent upon the Regents system to explore how to be more efficient by increasing our productivity while continuing to improve the quality of the students' educational experience.

**VISION:**

The faculty is the overseer of the educational process, and the business model for higher education recognizes the importance of the faculty's role. Our current business model has faculty teaching courses populated by students. What are the possibilities for the role of faculty evolving more toward the orchestrators of an educational process to the point they are not directly involved in the dissemination of course material in a classroom setting? Would such an evolution provide opportunity for a business model that increases efficiency while continuing to improve the quality of the students' educational experience?

Within this concept there could be possibilities for productivity and quality enhancement in at least the following five areas: 1) collaboration across a large system; 2) empowering students with technology for understanding a concept and for drill and practice; 3) collaboration among students and use of advanced students to assist beginning students, along with a similar peer to peer collaboration by faculty; 4) focusing by faculty on learning outcomes and using technology to deliver and monitor the learning process; and 5)

abandoning some of the ingrained structures that restrict our approach to traditional models.

To aid in communications and to put these ideas in more concrete form, here are some specific ideas of what might be done. These are ideas that must be thoroughly reviewed, modified, supplemented, or discarded through discussions with the campuses. Some ideas are more relevant to one type of institution than another, and the ideas are not necessarily internally consistent. Our goal here is to provide a beginning point with thought-provoking ideas, not to set forth a definitive, prescriptive list.

- Increase the number of students completing on-line courses by taking steps such as
  - Providing a discounted tuition to students who expect to work online with no direct support from a faculty member except oversight of testing and grading when the student is ready.
  - Specifying in the curriculum that students must take a defined number of on-line courses in order to graduate at the baccalaureate and associate levels
  - Designing master's level degrees and work to be taken exclusively on-line.
  - Developing initiatives designed to address the "digital divide" that may exist between first generation, rural, and minority students with an emphasis on increasing technology access and readiness for those groups.
  
- Formalize a system that anticipates even greater use of adjuncts to help in the delivery of education under the oversight of full-time faculty and clearly delineate and expand that relationship.
  
- In expensive disciplines such as engineering, develop faculty expertise across the system collectively so there is great depth and breadth in the system but not at every institution and expect students to have access to courses across the system rather than just at their own institution.
  
- Count FTE based on successfully completed hours as they appear on the transcript rather than on hours signed up for at the beginning of the semester as counted on the 14<sup>th</sup> day.

- Build into students' curriculum and into financial aid that advanced students are expected to assist beginning students and financially support the advanced students in that effort.
- Expect doctoral programs to be competitive at the national level as measured by student enrollment from across the nation.
- Increase standards for low-producing programs, eliminating or consolidating more programs
- Explore changing administrative systems along a continuum from regionalization to consolidation to merger, with special attention to Banner, purchasing, support services, and general administration.
- Consider moving to four-day (but still 37.5 hour) work and school weeks (institutions shut down three days per week) to save heating and cooling costs.
- Explore the opportunities for differential pricing offered by moving to a per credit hour tuition and fee basis, including
  - Offering discounted tuition for weekends, inter-terms, summer school, Friday classes and other under-utilized times to make more efficient use of facilities
  - Establishing tuition differentials for lower division and upper division courses
  - Establishing tuition differentials for different majors
- "Privatize" more parts of the enterprise as we have done with pharmacy by removing them from the THEC funding formula, permitting steps like eliminating the instate-out of state distinction in tuition and fees for the Regents Online Degree Program
- Reconsider the existing athletic policy for four-year institutions and review the costs and benefits of community college intercollegiate athletic programs
- Examine noncredit and special interest offerings with a view to their profitability—workforce development, for example, should be a revenue center

- Reconceptualize faculty workload, moving away from defining it in terms of number of courses taught and toward defining it in terms of the number of students taught (there is a project already underway to review faculty workloads).
- Revise summer pay policy for full-time faculty.
- Identify and seek changes in state laws and policies and Regents' policies and guidelines that restrict innovation that would lead to greater productivity.
- Generate funds for need-based aid from external sources such as local government and the local community.
- Reduce academic work scholarship amounts so available funds can be distributed to more students.

#### **CHALLENGE:**

The challenge for the Board of Regents is to set the appropriate tone for how the campuses will address their financial issues and to define a structure for campuses to operate within as they creatively enhance their productivity.

The tone suggested for the Board of Regents is stated below.

***The Board of Regents system shall continue to advance its mission of raising the education and skill levels of Tennesseans at an increasing level of quality while recognizing that the resources available to advance this mission will be less in the future than they have been in the past.***

The attachment will bring some greater definition to this statement. The top line on the chart illustrates that the purchasing power per student has remained relatively constant over the past 20 years even though the purchasing power of state funding has dropped significantly. We need to plan for the top line to decrease so we will not have the same purchasing power per student in the future even as we advance our mission.

The policy structure suggested for the Regents is as follows.

***The Board of Regents expects its campuses to be at least 15% more productive than the average of their peer institutions while both maintaining the salaries of faculty and staff at least at 95% of peer averages and equaling or exceeding peer averages in the quality of the educational experience provided to our students.***

This statement anticipates that the top line on the attached chart will decline because we will not increase tuition sufficiently to make up for the decline in state funding.

All of the issues presented in this paper are open for discussion and argument including the charge from the Regents. In its present form, the Regents' charge is intended to set a direction and articulate expected global outcomes without defining the specifics of how they are achieved.

Maintenance of facilities and the development of new facilities are also likely to go unfunded or to be funded at greatly reduced levels for quite some time. The cost of these requirements is considerably beyond the efficiencies referenced in this piece. There needs to be a new approach to addressing this need. The board needs to consider advocating for a dedicated source of revenue for this purpose.

# Projected Total Support per FTE Student

