

FINAL REPORT (March 4, 2007)

Flagship 2030 Envisioned Future Subcommittee on Finances and Operations

Question:

What kind of financial and organizational models will CU Boulder need in order to succeed in 2030?

Introductory Statement:

The University of Colorado at Boulder is defined as a comprehensive graduate research university with selective admissions standards. Colorado Revised Statutes (23-20-101.1(a)) defines our educational responsibility as providing a comprehensive array of undergraduate, masters, and doctoral degree programs..." As the recognized Flagship University for the State of Colorado, CU Boulder is charged to conduct its educational mission and its pursuit of research knowledge and creative works at the highest levels practiced nationally. As the only member of the prestigious American Association of Universities (AAU) from Colorado and most of the inland western United States, Boulder's educational and research enterprises must attract and maintain a nationally competitive faculty, must train undergraduate and graduate students to a high state of expertise and creativity, and must compete with the largest public and private research institutions for research funds, gifts, and contracts. In order to meet the expectations of and responsibilities to the State of Colorado, it must remain an economically healthy institution.

Unless the University of Colorado at Boulder is able to establish and maintain economic viability, it will become increasingly dependent upon state subsidies, and the quality of its educational, graduate training, and research infrastructure will inevitably decline. The investment in an AAU-caliber institution by the citizens of Colorado over the past 130 years demands protection. Our strategic vision calls for a new economic model for the Boulder campus that is more independent from and structured somewhat differently than that of its sister University of Colorado campuses. Our vision also calls for the Boulder campus to adopt its organizational structure and its business processes to respond to and to optimize this new economic model, so that it may effectively adapt to any unpredictable future fiscal environment.

Assumptions about developments leading to 2030:

We make the following assumptions about our institution, our state, and our mission as we vision the year 2030:

- The Boulder campus aspires to be among the top 1/3 of AAU public institutions, and that the Board of Regents and the citizens and businesses of the State of

Colorado continues to ascribe to that same aspiration. Boulder will continue to be the flagship institution of higher education within the State of Colorado and the Rocky Mountain west, and will remain the destination of choice for the majority of the State's top high school graduates.

- The Boulder campus will stay committed to our public mission.
- The Boulder campus will attempt to provide increased educational access for students from all areas of the State.
- The Boulder campus will remain a residential university with personal instruction being a primary component of its educational model.
- The State of Colorado and the nation will be increasingly diverse.
- High school graduates in Colorado will increase by 30% between now and 2030, with the fastest growth among Hispanic populations, and that the Boulder campus will need to accommodate its share of this demographic growth by expansion in its facilities, faculty, and services to students.
- The Boulder campus will likely require more abundant financial aid in order to assure access.
- State funding for higher education in general will continue to be limited and below national averages, and may in fact decline below present levels.
- The reinstatement of TABOR restrictions and/or the next economic recession will create a financial crisis for higher education that will threaten the Flagship and AAU status of the Boulder campus unless the campus migrates to a more self-sufficient economic model.
- The Boulder campus will need to encourage entrepreneurship and new business processes by all parts of the University that maximize the efficient use of its limited resources.
- Interdisciplinary programs and initiatives will become increasingly important.

The envisioned scenario in 2030 that CU-Boulder will have to respond to:

In order for the University of Colorado at Boulder to continue its success as it moves towards 2030 we must solve the problem of providing adequate financial resources to achieve our mission. Additionally, it is clearly recognized we will need to rely upon greater self-sufficiency than our current financial and operational models provide.

Highlighted below is how we envision limiting the campus dependence upon State subsidies and establishing fiscal self-sufficiency.

Financial Self-Sufficiency

The 33 U.S. Association of American Universities (AAU) flagship public universities are a unique subset of the 1,700 teaching and comprehensive public universities in the United States of America. Their costs to offer the expected wide range of undergraduate programs and the higher costs of graduate training require financial support at a level higher than community colleges and less comprehensive research intensive four-year institutions. Flagship universities are able to meet the expectations of their states under one of two financial models. One model involves high state subsidization and is usually accompanied by low tuition levels (Chapel

Hill, Wisconsin, Florida) or moderate tuition rates offset by state-funded need-based financial aid (Michigan, Minnesota). The second model for securing the operation of a flagship university is a model where there is more of a balance between state subsidy and a higher level of tuition-derived revenue (Indiana, Pittsburgh, Virginia, and Rutgers). The Colorado model, with low state subsidy AND low tuition, is unique among the AAU to the Boulder campus and is not a sustainable model.

We believe that the University of Colorado Boulder campus must move to one or the other model in order to sustain the mission set for it by the State. It is unlikely that Colorado can afford the high subsidy model given the budgetary pressures on the State. While we envision the State remaining an important fiscal partner, particularly with regards to supporting graduate education and training, we believe the future of the Boulder campus is to move resident tuition rates to the national average for AAU public universities. Holding our tuition rates to AAU average, coupled with the unique attractiveness of Boulder to non-resident students who will pay a premium rate to attend, will allow the campus to reach self-sufficiency and still meet its goal to ascend into the top 1/3 of the AAU public institutions. Ironically, higher resident tuition rates also provide the best vehicle for increasing need-based aid and assuring access to the State flagship institution without placing additional demands on the State for financial aid support. The support of Student's and Parent's will be critical for achieving these objectives.

We envision a stronger partnership with the CU Foundation as part of our fiscal self-sufficiency strategy. Self-sufficiency also allows the Boulder campus the flexibility to adjust tuition revenue up or down in response to increases or decreases in Foundation and State revenue support as economic cycles wax and wane, or as other revenue sources (for example, technology transfer, corporate partnerships and joint research ventures, Foreign governments, etc.) are developed.

We also believe that targeted initiatives, which are integral to the interests of the citizens of Colorado, will develop mutual respect (and ultimately additional funding) between the State and the University.

Operational Flexibility

The University of Colorado Boulder campus will need to develop new relationships between itself, the rest of the University of Colorado system, and State government if it is to effectively serve the System and the State in a positive and non-competitive manner. We envision the development of a Board of Visitors or Friends that can serve as trustees and advocates for the Boulder campus. This organization might be an effective intermediary between the campus and the System Regents, and between the campus and the State government in a way analogous to the functions of the Board of Directors for University Hospital.

We envision enabling legislation that allows for the financial self-sufficiency described above. An elaboration of enterprise status, delegation of fiscal authority

analogous to Public Authority status, or some new model for defining government-campus relations and responsibilities would best serve the higher education mission of the Boulder campus.

Within the campus, we will also need to refine old processes and develop new ones to optimize operational efficiency. We encourage the development of funding mechanisms that facilitate coordinated but not overtly competitive entrepreneurial activities among academic units and support services alike. We envision the full exploration of responsibility centered management systems for academic, student and administrative services units that provide incentive for controlling costs and rewarding efficiencies as well as incentives for entrepreneurial activities.

It should be noted that this system will involve suitably sized cost-centers and in addition high level management teams to coordinate inter-unit and inter-disciplinary initiatives. Finally, our current personnel system will need to be examined to ensure it will adequately support this new environment.

In order to cultivate a renewed flexibility and nimble-ness into the university structure, we encourage exploration of linking responsibility centers to the concept of sunset provisions for all organizations, so that the campus reviews investments in its internal organizations on a regular schedule.

Current Strengths: (As they relate to our scenario)

- Entrepreneurial potential of our outstanding faculty and staff.
- A productive University of Colorado Foundation, which is currently gearing-up for more active and aggressive fund raising activities. The CUF contributed \$27.5M to the Boulder campus budget during the most recent fiscal year, approximately 3% of the \$880M campus budget.
- The University of Colorado has previously obtained Enterprise status whereby enabling certain autonomy from the State of Colorado governmental requirements.
- The University and the State of Colorado already have a fee-for-service contract in place for graduate level education which could be a model for future funding relationships with the State.
- Geographic attractiveness to our non-resident students.
- Financial room between the current tuition rates and those rates charged by our peer institutions for resident tuition.
- Growing awareness by the general population that significant changes need to be made to the higher education funding model in order to maintain accessibility, quality, and utility for the State.

Current Weaknesses: (As they relate to our scenario)

- Our current low tuition and low financial aid model limits access to certain populations of students.

- Our current low tuition and low financial aid model limits revenues that might be available for new student initiatives.
- Inefficient internal resource allocation model which tends to discourage entrepreneurial behavior.
- An aging physical plant operating at capacity and which is unable to accommodate significant future growth.
- Fastest growing part of the State and nation's college-age population is not a significant portion of our current student base.
- Insufficient public perception of the value of a Flagship campus to the State.
- Inability to self-define business processes and practices to meet our changing needs.
- Inability to significantly raise non-resident tuition rates, or proportion of non-residents in the enrollment mix without extensive engagement of the State's political process.
- Modest investment in graduate education limits University of Colorado at Boulder's ability to provide maximum intellectual and entrepreneurial benefits to the State.
- Internal change is very difficult to accomplish due to cumbersome governmental oversight systems.
- Inability to articulate the research and teaching accomplishments to the people of Colorado.

Characteristics and Traits:

As the University of Colorado at Boulder moves towards 2030 it will need to consider the appropriateness of the following items:

- The value of a campus-specific governing or oversight board as a means to increase awareness, enthusiasm, goodwill, and to provide policy and financial oversight.
- Continue to focus on increasing scholarships and endowments relative to our total budgets.
- Examine the appropriateness of reorganizing as a Public Authority such as the University of Colorado Hospital Authority as a means for providing some fiscal self-sufficiency, or alternatively, legal changes of the Enterprise status to achieve these same ends.
- Take steps to move the campus progressively towards a higher resident tuition, higher financial aid funding model.
- Increase accessibility and attractiveness of the University of Colorado at Boulder to all economic and demographic sectors of the changing population.
- Willingness to adapt and change as State needs, research opportunities, and educational requirements change.
- Bettering our statewide image would likely lead to further investment and support.
- The University's current successes are not being adequately recognized and hence the value being provided is being understated.

Necessary Actions:

The Chancellor should:

- Explore the appropriateness of a campus specific Board of Visitors similar to those found at other public AAU institutions.
- Explore enabling legislation for a model analogous to the Public Authority model currently being utilized by the University of Colorado Hospital; or alternatively legal changes in the Enterprise status.
- Explore the appropriateness of implementing coordinated responsibility centered management systems for academic, student and administrative services units that provide incentive for controlling costs and rewarding efficiencies. In tandem, our current personnel system will need to be examined to ensure it will adequately support this new environment. In addition, examine whether sunset provisions for internal organizations, such as centers, institutions and departments are necessary.
- Work closely with the University of Colorado Foundation to increase private giving whereby we are able to increase the number and amount of scholarships offered to our students and endowed chairs and faculty members.
- Attempt to broaden the geographical distribution of attending Colorado in-state students.

Long-term

- Determine internal organizational and financial changes needed for an agile and flexible response to the overall strategic plans.
- Continued efforts across the campus with the CU Foundation to increase our scholarships and endowments.
- If deemed appropriate, complete the implementation of the Public Authority or other legislative alternatives.
- Articulate the teaching and research contributions to the people of Colorado.
- In cooperation with the President, Board of Regents and Board of Visitors explore alternative funding source which may be available.

Intermediate (3-5 years)

- Continue the development/enhance/utilize of the Board of Visitors.
- Continued efforts across the campus and with the CU Foundation to increase our scholarships and endowments.
- Conclude the exploration of the Public Authority concept or legislative alternatives. Based on the outcome of those efforts decide the appropriateness of going forward with some type of a Public Authority model. If supported begin the implementation.
- Make efforts to interact with statewide businesses and increase Technology Transfer income.

Near-term (up to 18 months)

- Thoroughly explore the feasibility of a coordinated responsibility-management structure.
- Begin the establishment of a robust Board of Visitors as advisors to the Chancellor and advocates for the campus.
- Continued efforts across the campus and with the CU Foundation to increase our scholarships and endowments.
- Begin the detailed exploration of Public Authority concept; or other legislative alternatives.
- Examine the feasibility of admitting the top 5% of students from all high schools in Colorado as a mechanism to improve Boulder's accessibility to all Colorado residents.
- Examine the possibility and appropriateness of Legislative Scholarships.
- Evaluate effectiveness of campus-wide research initiatives.

Current Problems and Issues:

The overall ability of the University of Colorado at Boulder to provide the necessary education and research depends on the efficiencies of the faculty. Standards should be rigorously maintained. Tenure should be carefully awarded and more effective post-tenure review is necessary.