

University of New Mexico

***Cost Containment/
Revenue Generation:
Recommendation of Strategies
For FY12 and Beyond***

**Submitted to Acting President Paul Roth
and
President David J. Schmidly**

On December 10, 2010

**By the
President's Strategic Advisory Team**

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Preamble: Objectives, Processes, and Principles

The President's Strategic Advisory Team (PSAT) was established by President David Schmidly in February of this year (2010) and given the following charge:

To design and evaluate possible scenario models for cost containment, process improvement, and an evolved organizational structure for UNM that will:

- *Provide the greatest levels of efficiency, communications, and accountability within operational processes, both in academic and administrative areas;*
- *Optimize UNM's ability to carry forth its mission and abide by its core values;*
- *Create tangible savings; and*
- *Aspire to create a model organizational structure for the modern public research university in the post-economic meltdown world of the 21st century.*

President Schmidly also identified project principles and parameters that included a two-fold focus to:

- Identify a broad range of strategies to achieve systemic process improvements, cost reductions, and long-term efficiencies; and
- Develop the most effective and resource-efficient organizational structure to carry out the core processes of university operations, in service to the mission.

During the first phase of its work together, PSAT identified \$5,809,248 of potential short term savings for FY11. Additionally, the Team identified several areas believed to hold promise for future cost savings, revenue generation, and overall improvement of UNM's operational efficiency and effectiveness.

As the New Mexico's financial situation continued to worsen over the summer and into the early fall, PSAT was once again called into action in October, this time to explore and recommend strategies to address the potential of a further permanent reduction in state I & G support for FY12 of \$25 million, or even more. As the Team prepared to engage in this work, members began by learning from Andrew Cullen, UNM's AVP for Planning, Budget, and Analysis just how PSAT's March 2010 recommendations had been incorporated into the FY11 budget model, as well as the impact that those decisions have had on the mission of the university and the functionality of operations.

PSAT then began the task of identifying strategies for addressing the budget challenge, first by revisiting and evaluating the team's mid- and long-term recommendations, along with other recommendations that had been emerging from other groups, such as Faculty Senate, Staff Council, Legislative Finance Committee, and students. Review and discussion resulted in the identification of the following areas of major opportunity within non-academic areas (not intended to be in order of importance):

1. Explore potential for cost savings in IT in the following areas:
 - Consolidation of UNM e-mail and calendaring systems
 - Standardization of university edge network devices
2. Explore the potential for reduction of reliance on I&G funding in the following areas:
 - Extended University

- UNM Foundation
 - Alumni Relations
 - Athletics
3. Explore potential cost reduction and efficiencies to be gained by consolidation and/or realignment of the offices of Student Affairs, Enrollment Management, and Equity and Inclusion
 4. Explore the potential of surplus sharing from UNM's auxiliaries and other revenue generating enterprises.
 5. Explore efficacy of the following auxiliary enterprises:
 - UNM Press
 - Golf Courses
 - Museums
 - Popejoy Hall
 6. Explore tuition remission and I&G support for Continuing Education.
 7. Develop a strategy and plan focusing on tuition and fees.
 8. Explore a strategy to move to incentive- and activity-based revenue generation and budgeting.

PSAT then launched a “due diligence” process by inviting leaders of the identified enterprises to educate the Team on their respective units’ direct and indirect contributions to the core missions of the University; their cost containment/revenue generation strategies and results to date; strategies that unit owners are considering for the future given the extent of the budget challenge we are facing; and potential consequences of major reductions. PSAT members formed work groups to further review and analyze budgets, services, deficits or surpluses, reliance on I&G funding, any ongoing challenges and plans to address them, and, most importantly, the centrality and importance of the unit’s activities to the core missions of the University of New Mexico.

As PSAT went about the work of considering various approaches and recommendations, the following principles and assumptions began to emerge:

1. Everything must be on the table for consideration and discussion.
2. A combination of strategies, i.e. use of reserves, increases in tuition and fees, changes in state policies, budget reductions, and program/service elimination would need to be utilized to address the potential of \$25m+ in reduction of state support without doing irreparable damage to the core missions.
3. There should be no “across the board” budget reductions.
4. Those services that are most central to and supportive of the core missions of the university are the most important to preserve.
5. The mix of strategies to get to a new “water level” of funding reduced by \$25m+ that will be sustainable for the long term will need to change over the course of at least a three year period.
6. There should be no “shifting the burden” of deficits and inefficiencies from one unit to another, thereby hiding the problem and potentially weakening the effectiveness of healthy enterprises.
7. The emerging practice of internal units “charging” each other for services to offload costs from one unit’s budget to another should be closely scrutinized, as it may simply be another way to shift the burden without realizing any true savings.
8. However, “loss leaders” may exist, and any decisions to support them should be deliberate and transparent.
9. Adapting to the new reality of decreased state support for higher education will require commitment to a systemic strategy over a period of years.

10. Units that “dig in their heels” and do not authentically strive to identify strategies for efficiency and cost savings should not be rewarded by being allowed to maintain their status quo.
11. Recommendations reflect the PSAT’s judgment of the needs and the best interests of the university. Inevitably, these cost savings and cost containment measures have consequences for members of the UNM community. The recommendations were developed with consideration of those consequences, and where appropriate, attempts have been made to suggest ways of mitigating the impact on the people affected.
12. Our goal will always be to promote “data-driven passion”, rather than “passion-driven data.”

While these principles and assumptions emerged over the course of several weeks of the Team’s work, it is important to note that these are also in accordance with the budget guidelines that Acting President Roth announced in his Monday Morning Message to the campus community on November 15th:

- *“There will be no further across the board cuts after the current 3.2% rescission.*
- *The process we will follow will be transparent, fair, and involve broad input and consensus building between administration, faculty, staff and students prior to the Regents adopting our budget plan – which will be widely distributed and discussed with all constituents.*
- *We will phase this program in over a three-year period, and most importantly...*
- *All final decisions will be driven by our values as a premier academic institution.”*

Additionally, during its deliberations, PSAT considered two potential scenarios for approaching recommendations:

- **“Preserve the Current Core”** – Predicated on the assumption that cost reduction/revenue generation strategies should be geared toward doing everything possible to maintain the current state of the academic enterprise. In other words, after reductions are made, we would want UNM to look as much like it does today as possible.
- **“Prepare for the Future Flagship”** – Predicated on the assumption that the most valuable attributes of UNM as a “flagship university” in the future may be different from today’s current state. This means that strategic budgeting decisions would be made with an eye toward establishing a foundation upon which to meet new needs and take advantage of emerging opportunities.

The recommendations contained in this report are the result of the above-described process and the culmination of eight weeks of concentrated effort on the part of a diverse and committed team. Clearly, not every question has been definitively answered. However, the Team has continued with a decision it made early on to **not** strive for absolute agreement on everything, but to apply the “rule of 80%” – “Is this concept 80% there, and good enough to test? If not, what is the adjustment that could move it to that place?”

The President’s Strategic Advisory Team presents the recommendations in this report as a sincere and “good faith” effort to do its best to address this critical challenge, in the best interest of our students and our mission.

Summary of Recommendations

The following pages contain an overview of the Team's recommendations, organized into two categories: Recommendations for implementation in fiscal year 2012, and recommendations for opportunities/targeted activity in FY12 to prepare for FY13 & beyond. It is important to note that, due to the numerous budget rescissions and reductions over the past two years, most of the "low hanging fruit" has already been identified and picked.

Nonetheless, the Team has been able to identify a combination of cost cutting and revenue generating strategies to total \$13,822,951, or roughly half of the anticipated \$28m shortfall. It is important to note that this amount includes the maximum recommended net tuition increase of 10%, which PSAT strongly believes should be kept as low as possible, with no final decisions being made without full engagement of the student community. It is anticipated that additional areas of savings will be identified by March 1, 2011 if the Team's recommendations for further, concentrated "due diligence" efforts related to IT and surplus sharing from auxiliaries are adopted.

Additionally, this amount does not include cost cutting/revenue generating strategies that PSAT hopes will emerge through the budget work being conducted through the Office of the Provost and other entities on campus.

Finally, some of the Team's recommendations will not result in reducing costs or generating revenue, but rather will provide transparency about what units and activities UNM consciously chooses to subsidize, and at what levels. These are strategic recommendations intended to create further transparency about how UNM allocates resources.

Overview of Recommendations

Area of Opportunity and Focus	Recommendations for FY12	Recommendations for Opportunities/Targeted Activity in FY12 to Prepare for FY13 & Beyond
IT – <ul style="list-style-type: none"> • Consolidation of e-mail and calendaring systems • Standardization of network edge devices 	Include both of these areas in the IT Redesign initiative that will launch in January 2011. (The target of this initiative is \$2m in savings, over time.) By March 1, 2011, identify and quantify initial savings for inclusion in the FY12 budget.	Due diligence in these areas resulted in the conclusion that while immediate savings are probably not huge, there is great opportunity for gaining efficiencies over time that will result in significant savings. PSAT recommends that the full \$2m target be realized through the “IT Cost Containment and Service Improvement Initiative” (One of the Regents’ Goals for the President) by FY14.
Extended University	Reduction of \$400,000 in recurring I&G funding (from FY11 allocation of \$1,254,127)	Extended University has developed a business model that is enabling the enterprise to reduce its I&G support by \$400,000 in FY11, and by an additional \$400,000 in FY12. EU currently has a fund balance of \$4m. The business model should be further explored to better understand how EU can become a sustainable revenue source for UNM through the generation of student credit hours, particularly for reinvestment in the academic enterprise.
UNM Foundation	Reduction of \$300,000 in recurring I&G funding (from current allocation of \$1.2m).	<ul style="list-style-type: none"> • Develop a plan to eliminate all I&G support by FY16. • Explore ways to improve management of the remaining \$900,000 of I&G funds, including development of a performance management system that includes UNM employees, as well as those employed by the Foundation.
Alumni Relations	Reduction of \$100,000 in recurring I&G funding (from FY11 allocation of \$703,519)	<ul style="list-style-type: none"> • Explore the potential to merge the Alumni Association with Alumni Relations, since the Alumni Association currently generates some revenue that could support Alumni Relations functions and make up for further reductions in I&G support. • Consider converting one Alumni Relations position to a Development Officer position to raise funds for Alumni activities.

Area of Opportunity and Focus	Recommendations for FY12	Recommendations for Opportunities/Targeted Activity in FY12 to Prepare for FY13 & Beyond						
Athletics	Reduction of \$100,000 in recurring I&G funding (from FY11 allocation of \$1.2m)	<ul style="list-style-type: none"> • Some level of ongoing I&G funding for Athletics is warranted, due to the support Athletics provides to the core missions of UNM (see due diligence detail). However, further investigation is required to better understand what Athletics is generating in terms of formula dollars. • Increasing rental rates charged to external users of Athletics facilities, as well as parking and ticketing fees, should be considered to offset reductions in I&G support. • A plan should be developed for external events to become self supporting and to generate revenue over time. 						
UNM Press	<p>UNM must first determine if UNM Press is a service that is central enough to the core missions of the University to subsidize, since no university press in the country currently breaks even. If so:</p> <ul style="list-style-type: none"> • Appropriate \$200,000 of I&G funding to provide transparent subsidy, rather than continuing the present deficit model. • Develop a plan by March 1, 2011 that identifies a new operational model to reduce costs and live within those means beginning in FY12. Expectation is that there will be no deficit. Elements of the model may include: 1) outsourcing the warehouse element, 2) aligning operations with University Libraries, and 3) moving toward greater use of electronic media. 							
Golf Courses	Due to market saturation, aging infrastructure, and no significant contribution to UNM's core mission, the Championship Golf Course should be closed, resulting in \$600,000 from fund balances (that would otherwise be used to cover growing deficit) to use for other purposes in FY12. No action is recommended on the North Golf Course at this time.	<ul style="list-style-type: none"> • Develop a comprehensive plan for land development. • Proceeds from development and/or sale will provide unrestricted fund balances that will be available to: <ul style="list-style-type: none"> ▪ Pay off the \$4.6m debt. ▪ Potentially provide some level of support for UNM's golf teams to practice at another location. ▪ Invest in other enterprises. 						
Museums	Overall reduction in I&G funding to museums of 2%, or \$44,751. (Total I&G to all museums is over \$2.2m) This reduction is NOT intended to be across the board but should be allocated based on uncommitted surpluses and evaluation of each museum's contribution to the core mission.	<p>Using the same principles of evaluation based on uncommitted surplus and contributions to the core mission, I & G funding should be reduced an additional 2%, each of the next two fiscal years for the following cumulative effect:</p> <table style="margin-left: auto; margin-right: auto;"> <tr> <td style="text-align: center;"><u>FY13</u></td> <td style="text-align: center;"><u>FY14</u></td> </tr> <tr> <td style="text-align: center;">4%</td> <td style="text-align: center;">6%</td> </tr> <tr> <td style="text-align: center;">\$89,502</td> <td style="text-align: center;">\$134,253</td> </tr> </table>	<u>FY13</u>	<u>FY14</u>	4%	6%	\$89,502	\$134,253
<u>FY13</u>	<u>FY14</u>							
4%	6%							
\$89,502	\$134,253							

Area of Opportunity and Focus	Recommendations for FY12	Recommendations for Opportunities/Targeted Activity in FY12 to Prepare for FY13 & Beyond
Popejoy	<p>Popejoy Hall should maintain its current I&G funding of \$149,730 for FY12, due to the support provided to the academic mission through the Department of Music and providing space for convocations and other university activities. However, the enterprise must break even and not add to the current deficit. This will result in \$220,000 of unrestricted fund balance that can be redirected to other purposes.</p>	<ul style="list-style-type: none"> • Currently, the New Mexico Symphony Orchestra (NMSO) owes \$242,000 in outstanding payment for hall usage, but utilizes 25% of Popejoy’s usage days each year. Popejoy can no longer afford to continue with this arrangement. • Beginning in early 2011 and continuing through FY12, Popejoy should develop a comprehensive plan to grow its programming to utilize the additional 25% availability, as well as to develop its private fundraising strategies.
Surplus sharing from UNM’s Auxiliary Enterprises	<p>In order to make a sound recommendation for FY12 and beyond, a benchmark study should be conducted by March 1, 2011 to compare UNM’s auxiliary practices to those of other universities, including management models, administrative fees, reporting structures, degrees of self sufficiency, and best practices.</p>	
Tuition remission and I&G support for Continuing Education	<ul style="list-style-type: none"> • Eliminate the use of tuition remission for all non-academic programs, resulting in \$1.4m recurring savings to I&G. • Insist upon “break even” results for Continuing Education. 	<p>The recommendation for FY 12 will result in loss of UNM-generated revenue to Continuing Education of \$1.1m over the course of the next year. This means that the current business model for Continuing Education is unsustainable, and must be redesigned and scaled down to accommodate this reality. A new model should be developed over the winter through the “Rapid Redesign” process that is included in the Regents goals for the President for FY11.</p>

Area of Opportunity and Focus	Recommendations for FY12	Recommendations for Opportunities/Targeted Activity in FY12 to Prepare for FY13 & Beyond
<p>Consolidation of Student Affairs, Enrollment Management, & Equity and Inclusion</p>	<p>Overall reduction in I&G funding to these three Divisions of 10%, or \$1,158,200*. This reduction is NOT intended to be across the board for each Division, but should be determined through collaborative exploration and conversation among all three units to identify the most appropriate ways to allocate the reduction. Some ideas to explore might include the following:</p> <ul style="list-style-type: none"> • Identify duplicative services to combine and/or eliminate. • Review vacant positions for potential permanent elimination, i.e. the “stand-alone” position of “Dean of Students” in favor of combining it with another existing position, for a savings based on previous salary information of \$97,000 <p>* Based on projected FY12 I&G base budgets after the 3.2% base adjustment, as follows: E.M. = \$6,020,310 S.A. = \$3,836,615 E.&I. = \$1,725,080 Total = \$11,582,005</p>	<p>Launch and complete a comprehensive initiative in FY12 to redesign, consolidate, and realign activities and functions in these three divisions. Exploration should include potential efficiencies, improvements, and savings of the following:</p> <ul style="list-style-type: none"> • Identifying/eliminating duplication of services, events and activities. • Recombining Enrollment Management and Student Affairs under one VP, but with a well defined mission, service portfolio, performance metrics, and appropriate resources. • Moving those auxiliary enterprises currently housed in Student Affairs including the SUB , student housing, and food services to Auxiliary Services, thereby streamlining the service portfolio of Student Affairs to be more directly targeted to serving students. • Redefining the VP Equity and Inclusion position to “Chief Equity and Inclusion Officer,” reporting to the Office of the President and assuming a coordination and champion role across all divisions. • Moving accountability for developing faculty diversity to the Office of the Provost. • Moving delivery of diversity training to the Division of Human Resources. • Moving marketing functions that currently exist in S.A. and E.M. to University Marketing. • Revisiting and improving the advising model to reduce fragmentation. • Consolidating accountability for all international programs under one unit.
<p>Tuition and Fees</p>	<ul style="list-style-type: none"> • 10% maximum NET tuition increase, pending broad discussion with students. Result of max. would be about \$9.5m. Tuition credit must be discontinued. Every effort should be made to keep tuition as low as possible. • No fee increase is recommended at this time. 	<p>Develop a comprehensive tuition plan in collaborative dialogue with students. The discontinuation of the tuition credit will enable such a plan to be formed.</p> <p><i>FY12 must be the <u>final year</u> of crisis tuition planning/lack of planning at UNM.</i></p>

Area of Opportunity and Focus	Recommendations for FY12	Recommendations for Opportunities/Targeted Activity in FY12 to Prepare for FY13 & Beyond
Incentive and Activity-based revenue generation and budgeting	<ul style="list-style-type: none"> • The Office of Institutional Research and the appropriate office of Financial Services should develop a comprehensive management information system that integrates student data with departmental and personnel expenditure data. • Continue to develop an academic prioritization process to guide decisions about financial and non-financial resource allocation, viability, relevance, maintenance, and development of academic programs. • Individual campus units should be tasked with developing both quantitative and non quantitative performance indicators that relate resources to outcomes. • Create incentives to help departments develop external resources consistent with their missions, as well as to monitor and reduce costs (where appropriate). • Identify a group of units to become “early adopters” of performance-based budgeting. • Form a performance-based budgeting “implementation force” (rather than task force), led by an outside consultant, to assist in the development of performance indicators and to provide campus units with the tools needed to carry out performance-based management. 	

Emerging Ideas and Important Considerations for the Future

As the Team went about its work, new questions and ideas began to emerge, some representing challenges, and others, opportunities. Still others relate to discoveries made about attributes of UNM's culture that the Team believes are important to consider – and potentially consider shifting – in order to sustainably improve our ability to meet both the challenges of today and to build for the future. Perhaps most important, we want to bring attention to issues that, when addressed, will help all of us to more effectively focus our actions and decisions on supporting our students and advancing our core missions. In that spirit, we offer the following brief overview to inspire further productive conversation and collaborative, coordinated efforts that will continue to improve our University.

1. Many services UNM provides to students suffer from a lack of coordination that results in both fragmentation and redundancy. This appears to be especially true in activities related to advising and mentoring. A high-profile strategic initiative aimed at truly understanding what our students need and how we might organize ourselves as an effective system to provide it could both improve student success and eliminate the costs of replication, duplication, and inefficiency.
2. A pattern seems to exist of creating new programs, services, and even divisions, rather than working to address and solve inefficiencies or issues of performance or service where they first emerge. Then, we tend to leave in place – and continue to fund – many of the artifacts of the old, even as we invest in the new. However, this pattern of behavior seems to be the result of well-meaning efforts to make improvements when finances were less constrained, making the avoidance of the difficult conversations about performance improvement easier.
3. Comfortable financial times seem to have made it easier for departments and divisions to “grow their own” service units, and this is particularly evident with regards to marketing, communications, and IT. Positions and budgets in these areas seem to have proliferated over the past several years, further contributing to fragmentation, redundancy, uncoordinated communication, budget inflation, and lack of adherence to University standards. There appears to be significant savings, efficiencies, and improvements still to be discovered by exploring a new service model for some of these areas.
4. We do not know what it costs to educate a student at the University of New Mexico. While we recognize that this is very complex and difficult to determine, we seem to have used this as an excuse not to try. If we hope to “sell” future tuition and fee increases to students as a way to address reductions in public funding, and ultimately to invest for the future, we must make a concerted effort to get our arms around this question. Students and the public deserve to know what they receive for their investment, and those managing complex budgets deserve to have this information to inform their decision making.
5. Incentives have not been consistently aligned with goals, often making it difficult to convince ourselves and others to “do the right thing.” Through interviews and the due diligence process, the Team discovered that while many – if not most – of our colleagues have done the difficult work of finding ways to become more efficient, streamline programs, build collaborations, and reduce spending, some have not. In some cases, the stalling strategy seems to have worked, as there appear to be no real consequences for some who elect to maintain the status quo. If we are serious about performance based budgeting, this must change, so that the behaviors and desired outcomes we say we value are those that are actually rewarded.

“Due Diligence” Detail of Recommendations

Explore potential for cost savings in IT in the following areas:
Consolidation of UNM e-mail and calendaring systems

Service/Activity/Owner? Information Technology (IT).

Current budget, including surplus/deficit and fund balances? This information was not provided to the team.

Who is served by the service/activity? Students, faculty and staff across all UNM campuses are served by the various email and calendaring systems.

Who will be affected by changes? Students, faculty and staff across all UNM Campuses who subscribe to the various email and calendaring systems for their use.

Impact on the mission? The impact of this change to UNM's mission is critical due to the inefficiencies and total costs associated with maintaining multiple email and calendaring systems. As funding to UNM shrinks, we must implement effective and cost efficient solutions to be able to meet our mission critical tasks.

Impact on the community? (Are there other options available to provide this service/activity?) There will be minimal impact to the community at large because they do not use UNM's email and calendaring systems.

Assessment of unintended consequences? UNM IT must continue with their goal of "consolidation of email and calendaring systems" to lower the maintenance costs over the long run and create an efficient delivery system. If this project is abandoned, the unintended consequences to the campus community will result in higher total costs and inefficient delivery of email and calendaring to the faculty, staff and students.

Likely community reaction to change? The change will be seen as very positive because the email and calendaring system will allow faculty, staff and students to communicate and schedule with one another better, lower costs to maintain, and the efficiencies gained due to the consolidation.

Projected amount to be saved or revenue to be generated? There are a total of 35-40 non-central email/calendaring systems across all UNM campuses. Currently, no costs associated with supporting these systems have been calculated. A "SWOT" team should be assigned to calculate total costs associated with supporting the multiple email/calendaring systems to determine potential cost savings centrally and departmentally. The potential cost savings could be in labor savings supporting the individual systems, hardware and software expenditures to implement these stand alone systems and possible utility savings by consolidating hardware into one central area.

Explore potential for cost saving in IT in the following areas:
Standardization of university edge network devices.

Service/Activity/Owner? Information Technology (IT).

Current budget, including surplus/deficit and fund balances? This information was not provided to the team.

Who is served by the service/activity? The entire campus community, including branch campuses, is served by the standardization of university edge network devices. Every building and IT closet has network devices that connect the desktop to the UNM Backbone for Internet service. These network devices direct internet and intranet traffic for the entire campus to the desktop. Also, this will allow IT to begin deploying the next generation of Voice over IP technology, which creates enormous value to the community.

Who will be affected by changes? All students, faculty, staff and visitors who connect to the Internet via the UNM Backbone.

Impact on the mission? The impact to UNM's mission is critical because education, research, public service and patient care all use some form of Information Technology. These network devices enhance the ability to deliver education, research, public service, and patient care to the desktop.

Impact on the community? (Are there other options available to provide this service/activity?) The impact on community is assessed as medium risk due to the vast constituents that use the UNM Backbone for education, research, public service and patient care as a community member. The community members have the option of finding other internet providers.

Assessment of unintended consequences? UNM IT must continue with their goal of "standardization of university edge network devices" to lower maintenance costs over the long run and create a consistent "service level" across all campuses. If this project is abandoned, the unintended consequences to the campus community will result in higher total costs of delivering IT to the desktop and inconsistent service levels.

Likely community reaction to change? The change will be seen as very positive because the new switches will allow better uplink between all UNM buildings, will be a lower cost to maintain, and the efficiencies gained on the standard equipment.

Projected amount to be saved or revenue to be generated? There are a total of 800 network switches across all UNM campuses. Before the standardization, each network device cost \$4,000 - \$5000 and now each device costs \$1,000 - \$2,000. If we replace all 800 network switches at a savings of \$3,000 per switch the accumulated total is \$2.4M. The underlying question is, are the savings captured centrally or departmentally? Before the standardization process, most departments were expending the funds to upgrade their network switch at a higher cost.

Explore the potential for reduction of reliance on I&G funding: Extended University

Service/Activity/Owner? Extended University, Vice Provost Jerry Dominguez

Current budget, including surplus/deficit and fund balances?

EU 2010-2011 Budget			
Revenues:		Expenses:	
Tuition	\$8,342,735	EU Operations	\$5,200,000
I&G	\$1,254,127	Distributions to Colleges	\$5,258,725
State Appropriation	\$579,000	5% Reserve	\$417,137
Fees	\$700,000		
	<u>\$10,875,862</u>		<u>\$10,875,862</u>
Projected Year-End Fund Balances (Reserves, July 2011: \$4,000,000)			

Who is served by the service/activity? EU provides distance-learning services to UNM's main campus faculty and students as well as to faculty and students from across the state. In addition, EU runs the Testing Center and Media Technology Services-Academic Technology Services (MTS-ATS). The Testing Center serves all main campus students, at an annual cost of \$152,000. MTS-ATS supports main campus instructional technology needs.

Who will be affected by changes? EU is currently building reserves for future investments in UNM's abilities to use technology in its delivery of educational programs. In addition, EU is returning much of its revenue to UNM's academic units; the academic units are then utilizing the financial resources to enhance their educational offerings. If EU's I&G allocation and reserves are reduced to zero, its ability to invest in the academic units will be decreased.

Impact on the mission? Technology is an increasingly important component in the delivery of educational offerings. Traditional pedagogical models are increasingly being adapted to include new technologies. Hence, EU plays a critical role in the future of learning on UNM's campuses. In addition, outreach to students outside of Albuquerque is central to UNM's mission. Therefore, a reduction in fund balances could impact UNM's ability to make critical investments for learning in the future and to reach additional distance students.

Impact on the community (Are there other options available to provide this service/activity?) Because EU has significant fund balances and returns revenue to the academic units, it likely will be able to absorb the reductions without a significant impact on the community. In addition, because of its incentive-based budget model, as online enrollment increases, EU will have increased revenue.

Assessment of unintended consequences? EU is one unit on campus that has an incentive-based budget model. EU is allowed to capture the tuition dollars that it generates. If fund balances are taken away, it may send a signal that performance is being punished. In addition, a reduction in fund balances could impact UNM's ability to make critical investments for learning in the future and to reach additional distance students.

Likely community reaction to change? None. It is unlikely that the external community will be made aware of any changes to the degree that there will be a significant reaction.

Projected amount to be saved or revenue to be generated? In FY 2012, EU will have its recurring I&G allocation reduced from \$1.2 million to \$800,000. Hence \$400,000 will be saved beginning in FY 2012. The remaining \$800,000 allocation is tied to EU's support of the Testing Center (\$152,628) and Media Technology Services-Academic Technology Services (\$647,372). If EU's FY 2012 \$800,000 I&G allocation is further reduced, there would be additional savings of recurring funds. Finally, \$4,000,000 in fund balances is potentially available; of course, these are not recurring funds.

Explore the potential for reduction of reliance on I&G funding: UNM Foundation

Service/Activity/Owner? UNM Foundation, President Henry Nemcik.

Current budget, including surplus/deficit and fund balances?

Foundation 2010-2011 Projected Budget	
UNM I&G Allocation	\$1,204,207
Development Funding Allocation	\$5,774,648
Short-Term Investment Income	\$880,156
Unrestricted Gifts	\$500,000
UNM Unit Cost Sharing	\$690,519
Use of Reserve Balance	\$951,156
Total	\$10,000,686

The UNM Foundation currently has fund balance (reserves) in the amount of \$2,989,597. The Foundation has budgeted to use those balances to support budget deficits into the future including \$951,156 in 2010-2011.

Who is served by the service/activity? The UNM Foundation is responsible for all university related fund raising. The Foundation's fund-raising activities provide the financial support for the majority of student scholarships and endowed chair positions at UNM; in addition, private fundraising significantly contributes to the costs of building construction and other campus capital projects. The UNM Foundation is currently engaged in an eight-year campaign to raise \$675 million. Assuming a four percent annual return, the campaign is likely to contribute \$27 million in recurring funds to UNM.

Who will be affected by changes? The Foundation has submitted a detailed plan with four options for reducing its reliance on I&G funding. The plans range from reducing reliance on I&G over three to ten years.

The PSAT recommends that the Foundation reduce its reliance on I&G over four years. Beginning in FY2012, the Foundation's I&G allocation should be reduced by \$300,000. In FY2013, FY2014, and FY2015 the Foundation's I&G allocation should be further reduced by \$300,000 in each year; beginning in FY2016, the Foundation should no longer receive an I&G allocation.

The Foundation's current \$1.2 million I&G allocation is indirectly related to staff who work for the Foundation but are UNM employees. The Foundation became a separate 501(c)(3) entity in 2008. The majority of employees became employees of this separate entity. However, some remain on UNM's payroll even though they work for the Foundation; this is because of their desire to retain their retirement plan status. There was some confusion as to the relationship between the I&G allocation and the status of these employees; there is no link to the Foundation retaining the UNM employees and its receiving the I&G allocation. The Foundation could have chosen not to retain those employees and still received the I&G allocation. Now the Foundation is in a unique situation in which some of its employees work directly for "The UNM Foundation," while others continue to work for UNM.

Regardless of their status, all employees should be evaluated using the same set of performance metrics and be held to the same standards and expectations.

Impact on the mission? Private fundraising will play an increasingly important role in funding the university's core learning, research and outreach activities. The Foundation's \$675 million capital campaign has the potential to contribute at least \$27 million to UNM's recurring budget. The Foundation must find new sources of operational revenue in order to complete this capital campaign and maintain and increase fundraising activities. The Foundation has a variety of ideas for new sources of revenue to replace its I&G allocation and fund its operations; the most prominent of these ideas is to increase the gift fee on all new-endowment gifts.

Impact on the community? (Are there other options available to provide this service/activity?) Potentially, employees currently working in Alumni Relations could be redeployed to work as development officers to raise funds for alumni-related activities.

Assessment of unintended consequences? Private fundraising will play an increasingly important role in funding the university's core learning, research and outreach activities. Ideally, the Foundation will find new sources of revenue in order to increase the number of development officers. Delaying the hire of additional development officers will push fundraising opportunities further into the future. UNM is already "behind the curve" in endowment fundraising. If investments had been made in the 1980s to increase fundraising, UNM would now have a much larger endowment. It is possible that the Foundation will not replace its I&G allocation with other funding and that fundraising activities could decrease.

Likely community reaction to change? Positive. Given that the Foundation is a separate entity, the community will likely be happy to see the Foundation become financially self-sufficient.

Projected amount to be saved or revenue to be generated? \$1.2 million in annual I&G allocation. Beginning in FY2012, the Foundation's I&G allocation should be reduced by \$300,000. In FY2013, FY2014, and FY2015 the Foundation's I&G allocation should be further reduced by \$300,000 in each year; beginning in FY2016, the Foundation should no longer receive an I&G allocation.

**Explore the potential for reduction of reliance on I&G funding:
Alumni Relations**

Service/Activity/Owner? Karen Abraham, AVP Alumni Relations. Two entities seem to be intertwined: Alumni Relations Office (ARO) reports they are 100% I&G funded, and UNM Alumni Association (AA) states they are all volunteer, generate all funds from licensing (perhaps some endowment, donor income unreported to PSAT). There is a strong interdependent relationship between these two entities, especially use of UNM paid ARO staff support. ARO I&G and all AA revenues from licensing appear under one Banner org code called the VP Inst. Advancement Alumni Relations.

This relationship should be evaluated to make use of some funds coming into the Alumni Association to support the UNM staff within Alumni Relations who facilitate this operation.

Current budget, including surplus/deficit and fund balances?

Revenue		\$755,909	
Less P & H	(\$30,049)		
Less Recission	(\$22,341)		
Net Revenue		\$703,519	
Expenses:			
Salaries	\$602,236		
Office supplies	\$83,475		
Travel	\$8,790		
Long Distances Calls	\$3,090		
Telephone	\$5,928	\$703,519	

ARO notes one part-time position paid outside of I&G; the source of funds is not shared. There is no information on the current fund balance. From the document dated 2/17/10 the fund balance from I&G was \$42,839.35.

Collegiate Licensing	\$132,000		
license plates	<u>\$130,000</u>		
Total known revenue from licensing	<u>\$262,000</u>		
Donor Income	unknown		
Endowment Income	unknown		
Tax return (990) may provide a more comprehensive report of income and expenses.			

Who is served by the service/activity? Potentially all UNM alumni, the UNM Foundation through the CDOs, and University schools and colleges who rely upon Alumni Relations (More specific data would be useful here.) ARO provided a report regarding the amount and significance of alumni giving, but that revenue appears to be generated outside of ARO by UNM Foundation. There are no metrics on outcomes regarding ARO support for bringing in these donors.

Who will be affected by changes? All of the above groups including staff employed by Alumni Relations. The Director of Alumni Relations indicates a reduction from 13 to 10.5 FTEs over the past 25 years and presents a request for 4 new positions in one of her reports. The eliminated positions appear to still exist, but have been reassigned similar duties outside of ARO (for example, in the UNM Foundation). In any case, a reduction in I&G would likely mean fewer positions directly reporting within ARO.

Impact on the mission? The services currently provided will have to be cut back. It is unclear which ones would be chosen or if the initiatives described will be sufficient to offset reductions (increased affinity programs, sponsorships, Hodgkin Hall rentals). The proposed new programs are expected to yield relatively small dollar amounts which on the surface (no business plan) appear to be staff intensive for the ROI.

Alumni “dues” have come up repeatedly. There appears to be no willingness to pursue this again. UNM Foundation agrees this is not a model likely to generate sufficient income- not on the scale of allocating a CDO with a significant likelihood of ROI.

Impact on the community (Are there other options available to provide this service/activity?)

Other options: UNM Foundation, Enrollment Management/Student Affairs, Parent Association/Parent Relations, UNM Schools and Colleges.

1. Development in the form of cultivating alumni as donors, advocates for UNM, and raising funds for events/scholarships is at the heart of both the Alumni Relations Office and Alumni Association. The mission overlaps with the UNM Foundation, both the Alumni Association and the Foundation operate outside of UNM, and many of the technology services needed to track alumni are housed within the Foundation. After reviewing the documents provided, and incorporating the documents and discussion with the UNM Foundation, it seems appropriate to undergo an investigation into whether the ARO unit would be better supported under the oversight of the Foundation, and address the relationship of the Alumni Association to these entities.

2. Another suggestion is to reallocate a portion of the ARO positions to create a Development Officer position in order to raise funds for sustaining the operations. A smaller Alumni Relations staff could be retained to oversee certain overarching functions and to provide more in the way of support services for alumni activities conducted by the Schools and Colleges.

3. Areas of overlap in programs offered by ARO/Alumni Association to consider:
Recruitment fairs with Enrollment Management- ARO lists participation in 90 such fairs
Academic Affairs based advising/career services- ARO lists 1,080 students served through their office career networking and mentoring to students and alumni. UCAM for marketing, publications social media, and web development –ARO states need for additional support in these areas. These may be already carried out in partnership or coordinated with UNM units, but is the ARO the right place for these activities to be managed or carried out? This should be considered in the review of Student Services/Enrollment Management, and the role of UCAM in overall marketing and web support.

4. ARO does not report funding activities such as student fairs, legislative actions, recreational activities, so it is assumed they are funded by the Alumni Association out of their licensing and donor proceeds. The effectiveness of these should be evaluated.

Assessment of unintended consequences? Schools and colleges may not have the funds to mount alumni events or effectively cultivate and support these constituents if the ARO does not find a new source of revenue to replace I&G. UNM Foundation CDOs are already stretched thin and may be depending upon some services provided by ARO.

Likely community reaction to change? The Alumni Association may feel that UNM does not value its alumni or volunteer efforts. Recruiting and retaining alumni volunteers may become difficult. Donations for scholarships administered through the Association may be reduced (impact on students).

Projected amount to be saved or revenue to be generated? \$703,519 in I&G funding. The PSAT recommends that the I&G allocation to the Alumni Relations Office be reduced by \$100,000 by the next fiscal year. Consistent with the LFC recommendations, and the opportunities available to achieve this goal, a plan for eliminating I&G funding over a three year period should be developed jointly by the Alumni Relations Office, the Alumni Association, and the UNM Foundation. A variety of suggestions for meeting this goal have been presented using the data available. The Mid-Term recommendation, supported by the LFC recommendation, seeks to reduce the amount of I&G support (then \$730,040) to the Alumni Relations Office over time with planning in FY12, implementation in FY13.

Additional Issues: There is a joint proposal from Alumni Relations and Alumni Association to develop a University affiliated senior community. This needs significant review outside of PSAT, and it is not clear if this would provide a means of support for either group, ultimately creating the resources for Alumni Relations to be self-supporting.

Assumptions: The only metrics presented were the value of volunteers. Those are managed collaboratively by the ARO and the Alumni Association with assistance from the UNM units utilizing them. There is nothing that legally prevents the ARO from receiving funding for staff support from the Alumni Association. The Alumni Association Board, who receives operating money from its UNM affiliation exists solely to support UNM and creates its priorities with guidance from UNM Administration. Their operating budget is regularly reviewed.

**Explore the potential for reduction of reliance on I&G funding:
Athletics**

Service/Activity/Owner? The Athletic Department, under the leadership of VP Paul Krebs, provides opportunities for academic support tailored to the needs of student athletes, maintenance of grounds for South Campus, and community use of facilities.

Current budget, including surplus/deficit and fund balances? We received information on I & G budget only. 86% of Athletics’ budget is self-generated. In their presentation, they pledged transparency.

Athletics 2010-2011 I & G Budget	
South Ground Account	\$713,871
Half of Athletics' Utilities (Physical Plant pays other half)*	\$400,000
Physical Plan Preventative Maintenance	<u>\$100,000</u>
Total I & G Budget	<u>\$1,213,871</u>
* Efficiencies have occurred in recent years to reduce the cost of maintenance of grounds and facilities.	

Who is served by the service/activity? Lobo Athletics serve student athletes, students, staff, faculty, and the community at large by providing opportunities for participation, community programming and support, and entertainment through attendance at athletic events. Athletics provides support to its student athletes through the Student Athlete Success Center and Community Service Opportunities. This support includes a clinical psychologist, learning specialist, computer assistance and six full time advisors. These activities are not currently supported by I & G funds, though potential cuts to I & G could potentially impact the ability of the Division to provide these services that are argued to be the basis of increases in the academic success of athletes. All indicators of student success point to the value of these services for 490 student athletes. 33% of all international students are student athletes.

Athletics provides maintenance of several facilities on South Campus including South Campus Parking lot. Several athletic facilities are also used for non-athletic UNM events.

Athletics provides the University Community or the Greater Community as a whole the following support through use of Athletics’ facilities:

Zia Band Day – 100%	Susan G. Komen Run – 100%	APS HS Graduations – 73%
Spring Storm – 100%	CYFD Adoption Function—100%	CNM Graduation – 67%
UNM Graduation – 100%	D Granger Basketball Camp – 100%	Gathering of Nations – 66%
S.A.F.E. House – 100%	Brian Urlacher Football Camp	Special Olympics – 33%
Toys for Tots – 100%	St. Pius Graduation – 87%	HS NMAA events – (1%-45%)

All of these activities are subsidized between 11% and 100% by the Athletics department (for the cost of renting/using the facilities). These “Goodwill” gestures are outlined in terms of amount charged, typical rent fee for a non-profit, typical rent fee for standard rental rate, and the percent reduction in charge that Athletics gave to the organization.

Who will be affected by changes? Staff members employed by the Athletics department will feel the most immediate effects. Reduction or elimination of any one I&G line item would require the department to find other means of maintaining facilities and providing the services it currently provides to students. Students, staff and some faculty would presumably be affected by changes relating to maintenance of facilities on South Campus which they may use (including parking lots). Entities from the Community relying on the discounted use of facilities or the free use of facilities would be affected.

Impact on the mission? The impact on the mission would be minimal in terms of academics. There would not be a negative effect on the main campus academics, but there is potential for a negative impact on the student athletes' academics if reduced appropriations mean cuts to the Student Athlete Success Center. Similar services are available to student athletes through main campus student services, however those are not tailored to the potentially differing needs of student athletes.

Impact on the Community (Are there other options available to provide this service/activity?) Part of UNM community perception and participation includes giving back to the community, and if the Athletic Department was not able to subsidize use of its facilities to the community, there would be impact upon perception of UNM's commitment to the community at large. It is not likely that entities relying on the specific layout or amenities of the Pit would be able to find the service they have had at the Pit somewhere else in the community. Many of the other Athletics' facilities provide nicer amenities, but there are baseball diamonds, tracks and football fields in the greater Albuquerque area. That does not mean those facilities would meet all the needs of the renting entity, but the potential exists.

Assessment of unintended consequences? A potential unintended consequence could be job loss. There are numerous employees of Athletics employed to provide academic support to student athletes, employees to maintain facilities, and employees who provide support to community groups. There is the potential for loss of use of facilities by those entities which are only partially subsidized by Athletics if rental rates are set at market level without subsidy, thus removing a portion of income Athletics had previously been able to secure.

Likely community reaction to change? As the public frequently views Athletics as having too large a budget, a return of I & G money from its budget might initially be received fairly well. However, as the reality of what that means for the community (new or increased charges for use of facilities) and their history of reliance on Athletics and UNM's community support, the tenor of the community reaction may change.

Projected amount to be saved or revenue to be generated? If Athletics were to receive no I & G funds the amount that could be recouped from athletics totals \$1,213,871 annually. These funds currently pay for grounds, utilities, and preventative maintenance. Athletics currently provides maintenance for UNM facilities that serve non-athletes, such as the south campus parking lot. If Athletics charges UNM for this maintenance at the cost of providing it or at a revenue generating cost, then this is not an actual savings to the University. This also raises the question of whether UNM wants to begin the policy of internal charges, which in fact, may not provide savings to the University but could potentially, increase costs. Though it may not be wise to take away the I&G investment towards revenue generating activities or to charge other UNM units for the use of the facilities, it would, perhaps, be useful to determine the costs of providing the facilities to UNM events as a way to demonstrate the service to other units.

There is revenue potential from increased or market rate charges for usage of Athletics' facilities. However, there is also the possibility of losing large portions of that potential revenue if previously renting entities can no longer afford to use Athletics' facilities at the higher rates. Currently, Athletics charges significantly lower rental rates for non-profit entities, if they charge at all. There needs to be further research into the impact of raising rates with the Athletics Department to determine if this idea is feasible..

Essentially this means that if I&G funds were not appropriated to Athletics, Athletics (to maintain their current position) would not immediately be able to recoup that full amount of money just by instituting full rental rate for facility use. It can also be assumed that many entities would stop using Athletics facilities altogether, causing athletics to potentially lose even those monies which they partially subsidize.

Explore the efficacy of the following auxiliary enterprises:

UNM Press

Service/Activity: UNM Press services faculty, students and the community at large. There are approximately 60 to 70 books chosen to be printed each year, with about 10 of these books coming directly from UNM faculty. The remaining books are from individuals throughout the country. Students buy text books from the Press. It is the 4th largest press west of the Rockies. It currently has 28 staff members. Should it really be considered an auxiliary?

Current budget, including surplus/deficit and fund balances

UNM Press Budget Information	
Current Budget (no I&G funding)	\$3,273,973
Accumulated Deficit	
Accumulated Deficit up to FY 2006	\$1,188,613
FY 2007	\$191,884
FY2008	\$212,959
FY 2009	\$747,077
FY 2010	\$426,211
Accumulated Deficit through FY2010	\$2,766,744

Who is served by the service? It serves primarily faculty members, writers, and, to a small degree, students. Faculty members and writers from all over the country submit manuscripts to the faculty senate (certain faculty members read them and decide which ones will be printed) for approval. They are then sent out to be printed and then the books are sent back to the press for distribution. Students can order books from the press. The University Libraries make these available for loan and also house archived copies.

Who will be affected by the change? Faculty members hired in the Humanities and Social Science tend to utilize this venue to get published. New Mexico small agencies that use the Press services may also be affected. Scholarly work would now be sent elsewhere.

Impact on mission? Every faculty member needs to have their work published. This is essential to the faculty member's growth in order to reach tenure. Traditionally, all AAUP and Research I institutions have a Press.

Impact on the community? This will impact the individuals who would no longer be able to submit their works to the UNM Press to get published. Not having a press may mean some faculty have a harder time getting published. It will also affect student's ability to purchase books from the press.

Assessment of unintended consequences: Important scholarly and cultural books might not be published. Faculty members that we hire in the Humanities and Social Science areas will no longer have the direct ability to use our Press to get their works published. They will have to go to an outside press to be published. Prices on some publications by local authors may increase if there is no competition to keep prices down. Several university presses have been combined with libraries as both

have a mission of creating and disseminating scholarly knowledge; however, we want to make sure if we make such a move that we are not just moving deficits around but being more efficient. If the two are combined, there could either be a group that develops a formal collaboration of the two, or recommends the organizational reporting line be changed to the University Libraries.

Likely community reaction to change? The community at large may be mostly unaware that UNM actually has a Press, so reaction is difficult to predict. Depending on the nature of any changes, faculty and staff may react negatively.

Amounts to be saved or revenue to be generated? A new director has been hired and given the directive to run a zero balance for the year. The new director could also be given a direct subsidy with a very specific directive to stay within budget and be held accountable for the overall budget. This is an option that many universities use. In addition, fundraising will be an area of emphasis. They have begun talking with the foundation to explore this area. Many universities are combining their presses with the library.

If the Library and Press were combined, it could save on some duplication. They have a shared mission of making scholarly content available. There is potential overlap in the areas of marketing, printing, and website content delivery. These areas have the potential of being integrated. Other administrative functions could be shared such as budgeting, personnel management, purchasing, and IT support. In addition the Library and Press have expertise in licensing, copyright policies and author rights, which would further streamline any integration. Across the country, libraries and presses are both moving rapidly into electronic environments and each assist authors with various aspects of manuscript preparation, editing, electronic publishing, marketing, copyright, web content development, and use of sophisticated technologies to support scholarly communications. This all illustrates how aligning these two units could be an efficient fit.

Explore efficacy of the following auxiliaries and other revenue.
UNM Championship Golf Course

Due Diligence Detail:

Service/Activity Owner: Institutional Support Services. The Championship Golf course services the community, faculty, staff, and students. The course hosts approximately 80 tournaments a year including 2 intercollegiate tournaments, four National Junior Tournaments and three local junior tournaments. They also host charitable and fund raising events: UNM Golf Fiesta for the Faculty, Staff, Alumni and Retirees and The UNM Presidential Scholarship Tournament.

Current budget, including surplus/deficit and fund balances?

UNM Championship Golf Course Budget Information	
Current Budget (no I & G funding)	\$2,423,310
Accumulated Deficit	
Up to FY 2008	\$1,979,489
FY 2008	\$894,203
FY 2009	\$838,048
FY 2010	\$763,644
Total Deficit	\$4,475,384

Who is served by this service? The Championship Golf Courses serves the community, faculty, staff, Athletics, and students. The course provided 64,035 rounds of golf in 2009-2010. The men’s and women’s golf team practice and compete at the championship course. Many junior national players utilize the course as well and hold several of their tournaments at the course.

Who will be affected by changes? The community at large that utilizes the course will be affected. Faculty, staff and students that went to the course to play at a reduced rate will have to go elsewhere. The men’s and women’s golf teams will be displaced and have to seek another course to utilize for practice, competition and office space. Junior tournaments would have to seek an alternative course to hold their events.

Impact on mission? The Championship Golf Course has a rich history and is a great venue that the community, staff, faculty and students can enjoy. It continues to be a nationally respected golf course.

Impact on the community? The community will have to find another place to play golf that may not be as reasonable. Staff, faculty and students will have to play somewhere else without a discounted rate. The tournaments that are played at the course will have to go elsewhere and the charity events and fundraising will have to go elsewhere.

Assessment of unintended consequences: Financial impact on Presidential Scholarship if no there is golf tournament to raise funds. The decision to close the Championship Course would displace the men’s and women’s golf teams.

Likely community reaction to change? A decision to close the Championship Golf Course would most likely be met with mixed reaction from the community. The course has a long history and is valued in the world of golf. However, during these difficult financial times, continuing to subsidize it would most likely mean that cuts that would have greater impact on the core missions of the university would have to be made.

Amounts to be saved or revenue to be generated? The course in 2010 reduced \$75,000 in course maintenance by contracting with a third party vendor. They are conducting a review to see if a price increase will bring in more revenue or push customers to the competition. The course's infrastructure is old. When the sprinkler system goes down it will cost approximately \$2,000,000 to replace. Athletics could be charged for their usage of the course, but this would only shift the expense burden. Closing of the course would stop the addition of approximately \$600,000 to the deficit in FY12.

Explore efficacy of the following auxiliaries and other revenue.

Museums:

Service/Activity: There are currently eight museums and galleries at UNM: Art Museum, Geology Museum, Hardwood Museum, Institute for Meteoritics, Masley Gallery, Maxwell Museum of Anthropology, Museum of SW Biology, and Tamarind Institute. The museums and galleries service faculty, staff, students and the community at large. These museums provide research, teaching opportunities and cultural development.

Current Budget/surplus/deficit:

Museums Budget FY 2010 - 2011					
	Budget for FY 11	FY 10 surplus/ (deficit)	Previous surplus/ (deficit)	Current Cumulated surplus/ (deficit)	FY 11 I&G Funding
Art Museum	\$745,252	\$28,965	\$195,623	\$224,588	\$524,033
Harwood	\$1,448,916	\$155,830	\$552,579	\$708,409	\$406,029
Institute of Meteoritics	\$302,270	\$29,325	(\$17,894)	\$11,431	\$302,270
Maxwell Museum of Anthropology	\$1,287,867	(\$46,656)	\$407,798	\$361,142	\$742,707
Tamarind Institute	\$724,599	\$130,732	\$375,141	\$505,873	\$262,511
Totals	\$4,508,904	\$298,196	\$1,513,247	\$1,811,443	\$2,237,550
Geology Museum	Included in Anthropology Department's Budget				
Masley Gallery	Included in College of Arts and Sciences Budget				
Museum of Southwest Biology	Included in Biology Department's Budget				
Proposed I&G Reduction (%)	Percent Reduction	Dollar Amount			
FY 2012	2%	\$44,751			
FY2013	4%	\$89,502			
FY2014	6%	\$134,253			
Total		\$268,506			
<p>NOTE - Much of the cumulative surplus is committed and therefore not available to reduce reliance on I&G. We also recommend that the cuts not be applied across the board, but be allocated based on uncommitted surplus and after an evaluation has been done to determine how each of the museums support UNM's teaching and research mission. Once UNM has determined programs'/units' level of prioritization, it is recommended that the Museums review their inventory and their donor agreements to ascertain what inventory does not support our current or future teaching and research missions per the UNM prioritization plan and those inventory if allowed by donor agreement be used to offset I&G funding. The reduction percentages can and should be increased once the prioritization and inventory determinations have been made, but without additional information, we believe these are fair reductions.</p>					

Who is served by this service? Students, faculty and staff are served directly by all museums and galleries. The museums primarily teach courses in the Anthropology, Biology, Earth and Planetary Science, Art and Art History departments, and contribute to the Museum Studies area. Also, faculty and staff serve as advisors for graduate students, served on graduate committees, chair or co-chair dissertation committees, supervise internships, practica, and individual research projects. In addition, each of the museums has research initiatives that generate millions of dollars.

Who will be affected by changes? Depending on the change many areas could be affected such as research, teaching, and preservation of artifacts. The research grants generate millions of dollars and need to be protected. Students would be affected directly as there are many courses taught in these areas by the museum's staff.

Impact on mission? The museums directly follow the university's mission. The assets within the walls of the museums are priceless and irreplaceable but are most valuable to teaching and research.

Impact on the community? The community would be impacted. They have many programs that involve primary and secondary school students. There are thousands of individuals that visit the various museums for pleasure or educational purposes.

Assessment of unintended consequences: Currently the museums generate enormous amounts of dollars from research grants awarded. If cuts impeded the museums, they could actually lose grant opportunities. Some of these collections are one of a kind and irreplaceable. If not taken care of properly, they could in fact devalue the assets or cause them to lose their worth.

Likely community reaction to change? The community impact is hard to judge at this time.

Amounts to be saved or revenue to be generated? The museums are aggressively pursuing research grants and opportunities with outside entities. Several of the museums will work to increase and enhance their fundraising efforts. In addition, there is a proposal for a Master of Arts, Master of Science, and undergraduate certificate program in Museum Studies. These programs will generate additional tuition dollars as well as increase opportunities for more grants within these disciplines. It also appears that some areas have the ability to generate larger amounts in grants. A shift in business model may help to place more resources in areas with larger grant potential (SW Biology) than in other areas that lag in research grants. Many of the collections are very expensive to preserve as they are one of a kind. However, pieces of the collection that are not restricted by donor agreements or other requirements could be sold in order to pay for the preservation.

Explore efficacy of the following auxiliaries and other revenue.

Popejoy:

Service/Activity: Popejoy Hall is the largest multidisciplinary performing arts center in New Mexico. Popejoy hosts touring Broadway shows, symphony concerts, musical soloists and artists of international caliber, world-renowned ballet and modern dance companies, and noted speakers from a broad spectrum of disciplines.

Current Budget/surplus/deficit:

Popejoy Hall 2010 -2011	
Current Budget (I&G funding - \$149,730)	<u>\$7,800,000</u>
Accumulated Deficit	\$2,679,871

Who is served by this service? Popejoy services the community and students in the music department. It conducts Broadway productions for the community, houses the New Mexico Symphony Orchestra (NMSO), and works closely with the music department providing them 21 performances opportunities that are associated with the student’s classes.

Who will be affected by changes? The community, NMSO, and students. The students in the music department would be affected directly and unable to conduct their 21 performances in the venue.

Impact on mission? Popejoy is the largest multidisciplinary performing arts center in the state and contributes to teaching and community service.

Impact on the community? Popejoy is visited by 250,000 patrons per season. It works with 52,000 K-12 students each season conducting 32 performances as part of its Schooltime Series and provides a venue for the NMSO. There were 4,316 student tickets sold which generated \$95,000 for the 2009 - 2010 fiscal year. There were 9,924 faculty/staff tickets sold which generated \$220,000 for the 2009-2010 fiscal year. In addition, it is estimated that Popejoy will have a \$5,000,000 impact on our community this season. It also provides UNM convocations and free events totaling \$11,000 a year.

Assessment of unintended consequences: Could increase the cost to the music department if they now had to maintain Popejoy without having the revenue source to do so. A potential \$5,000,000 economic impact on local businesses. Decrease in faculty, staff and student morale due to loss of ticket benefits.

Likely community reaction to change? Any change that would reduce programs or access is likely to produce a negative reaction.

Amounts to be saved or revenue to be generated? Revenue will be generated by bringing in more productions such as Wicked and by increasing private fundraising. If NMSO ceases to use Popejoy, their current 25% of the usage days can be used to generate revenue by booking other performances of their own presentation (Broadway style) which should increase the current revenue of 4% brought in currently by the NMSO.

Explore the potential of surplus sharing from UNM’s auxiliaries and other revenue generating enterprises.

Auxiliaries	Budget for FY 11	FY 10 surplus/ (deficit)	Previous surplus/ (deficit)	Current Cumulated surplus/ (deficit)
Parking Transportation Services	\$ 5,036,461.00	\$ (40,553.00)	\$ 1,553,784.00	\$ 1,513,231.00
Ticketing Services	\$ 1,001,643.00	\$ (6,398.00)	\$ 174,280.00	\$ 167,882.00
Housing Dining Services	\$ 20,072,637.00	\$ (182,447.00)	\$ 496,455.00	\$ 314,008.00
New Mexico Union	\$ 2,147,429.00	\$ 116,883.00	\$ (27,616.00)	\$ 89,267.00
Student Health and Counseling	\$ 6,816,764.00	\$ 226,599.00	\$ (35,823.00)	\$ 190,776.00
Bookstore Main Campus	\$ 15,847,198.00	\$ (26,982.00)	\$ 188,064.00	\$ 161,082.00
Public Events	\$ 8,011,112.00	\$ (224,077.00)	\$ (2,427,273.00)	\$ (2,651,350.00)
Total				\$ (215,104.00)

Currently all auxiliaries pay 6.5% of their gross profits to administrative overhead. They also report to three separate areas: Provost, Student Affairs, and Institutional Support Services. In addition, they must pay utilities at full rate as well some of them pay for rent on their space.

Explore tuition remission and I&G support for Continuing Education

Service/Activity: UNM Continuing Education logs approximately 40,000 enrollments per year. They have not recorded the number of individuals that they serve. CE runs as an entrepreneurial self-sustaining business model that seeks to operate with course and contract revenues alone.

Current Budget/surplus/deficit:

Continuing Education FY 2010-2011	
Current Budget (not including state contracts)	<u>\$2,423,310</u>
Accumulated Deficit	
FY 2003 to FY 2010	\$797,000
FY 2010	<u>\$183,000</u>
Total Deficit	\$980,000

The Division of CE receives approximately \$1,100,000 in revenue from tuition remission which is billed to UNM Human Resources. The Division of CE receives NO direct Instruction and General support from UNM; however they do receive approximately \$250,000 in State Special Project funding for their Substance Abuse Program and Spanish Resource Center. These funds are directly appropriated by the state and may not be used for any other purpose or reduced without legislative approval. The Division of CE covers 90% of the maintenance and support of its Conference Building through generated revenues. The remaining 10% was deemed as Instruction and General space by the Higher Education Department and UNM receives direct state funding for the expenses. The South Buildings have been deemed by the state as 100% I&G space and maintenance of this area is provided by UNM Physical Plant as they receive state funding to do so.

Who is served by the service? The CE constituency base includes a variety of individuals from the community as well as those UNM employees who take advantage of tuition remission to access the entire CE catalog of courses. CE offers a variety of non-credit coursework in areas including Professional Development, Lifelong Learning, Community Enrichment, and specialized certificate programs for business and industry. Tuition Remission for Professional Development is limited to the value of eight credit hours per semester and personal enrichment is limited to 2 credit hours. Retirees receive unlimited tuition remission.

Who will be affected by the change? It depends on the locus of the proposed cuts. It is likely that cuts to tuition remission would result in a commensurate downsizing to the CE staff because of reduced revenues. If Tuition Remission were to be cut, then the general UNM community who take these courses would be faced with the decision of whether they wanted to pay for the courses on their own. UNM departments could pay, out of department funds, for professional development courses that directly relate to an employee's job. The UNM IT Department has prepared an RFP for on-line technical computer training for the UNM community. This training would be available to all employees on a variety of computer topics. This could seriously affect the instructor-led training programs at CE.

Impact on mission? The mission of CE is evolving into a stand-alone business that still utilizes subsidized funding from the main UNM I&G accounts, in that they have been allowed to carry a

deficit, no direct funding/subsidies of CE from I&G has occurred as of yet. As such, it is reasonable to assume that any cuts that would deplete 1/7th of its overall funding base would be dramatic and highly detrimental to its ability to adapt and survive a one-time cut of this magnitude.

Impact on the community? The community impact is harder to judge because of the presence of so much competition in the enrichment and lifelong learning areas that are available by a variety of city, county and state funded projects for seniors and other community members. This can be seen graphically in the funding declines in these areas that began in 2006 and continue unabated. In addition, a number of for-profit businesses have stepped into the professional development sphere and have reduced the number of options for CE, leading to a continuing gap in revenue versus expenses in that area.

Assessment of unintended consequences: There are any number of unintended consequences to a major, and precipitous, reduction in I&G funding for CE. They include internal issues with our faculty and staff that could result if the Tuition Remission were reduced dramatically or eliminated. Conversely, there could be a loss of community support if the reductions were felt in the Professional Development or Enrichment areas. However, there is a high quality management environment present in CE that is very capable of strategically planning and managing the challenging environment of the state, city and UNM.

Other issues to consider: Employees enroll in CE courses and tuition remission is paid even if the employee fails to attend or complete the training. Non-credit professional development courses are often also available as academic courses (foreign languages, etc.)

Likely community reaction to change? It is conjectural as to whether there would be any major community reaction to a reduction in services from CE. Given that there are so many different providers across so many dimensions, it is unlikely that there will be any major problems.

Amounts to be saved or revenue to be generated? The Division of CE has proposed one budget reduction scenario that reduces their budget by 5%. It is a complicated scenario that proposes, "... a 5% discount when billing the Human Resources Benefits Office for employees who have taken a course with Continuing Education. This cut would be absorbed fully by UNM Continuing Education, and while decreasing the dollar amount UNM pays in tuition remission benefits, it would not decrease the benefit the employee receives" (Martinez-Purson, communication to PSAT, 11/15/10). This would allow them to budget and track an anticipated \$50,000 reduction in funding from the Tuition Remission Program.

Explore potential cost reduction and efficiencies to be gained by consolidation and/or realignment of offices of Student Affairs, Enrollment Management, and Equity and Inclusion.

Enrollment Management:

PSAT met with UNM’s VP of Enrollment Management to learn about the structure and services provided in her division, as well as national trends in enrollment management.

The VP reports that there is currently a trend to reconsolidate students affairs with enrollment management, specifically enrollment and student services. UNM’s VP of Enrollment Management believes that doing so can serve to “build affinity,” providing opportunities for moving out of silos, integrating activities, and working together to improve services to students. Already, the current practice in the Division of Enrollment Management is to “cross train” staff to provide greater flexibility and suggests that we need different job categories to build more flexibility.

Since becoming enrollment manager, the VP has worked to implement structure and systems improvements for admissions, registration, communications and general operations. She has set the expectation of a standard two-hour turnaround time from the point of contact with a student.

Efforts to date to reduce the division’s budget have included streamlining operations, and cutting travel, postage, and supplies. She currently is in the process of reorganizing staff positions. In the first year, she saved \$800,000 and since has sustained an average of \$1,000,000 per year carry forward. The VP has put effort into improving the web site and has developed an array of publications for prospective and incoming students.

Issues that emerge: There is currently inconsistency in UNM marketing and branding. For example, Enrollment Management is not following the UNM Branding Standard and has entered into a contract with an outside vendor, independent of UNM Marketing, to do this work. More investigation is needed to determine the potential savings to be gained by greater integration of marketing efforts.

Student Affairs:

The VP for Student Affairs provided information on assessment and evaluation; revenue generation; departmental consolidation, redesign and reorganizations; and economic initiatives. This was supplemented with an organization chart; a summary page listing mission, goals, core values, and capital projects; and information on 2010-2011 funding sources. The budget includes:

Student Affairs Budget FY 2010 - 2011	
I&G Funding	\$3,951,577
Self-generated	\$30,687,897
Legislative Special Projects	\$956,700
SFRP	\$6,743,484
Contracts and Grants	\$4,730,705
Others	\$607,859
Total	\$47,678,222

While PSAT received information on funding sources, how those resources are spent will require further investigation.

Some questions that have arisen include the following:

- How is I & G money currently being spent, and what is the mission and assumptions that are driving those decisions?
- How are the nearly \$31 million generated through fee for service activities such as student housing, space rental, audio visual, child care center, pharmacy, and orientation, being spent? Could some of those funds be used to offset reductions in I&G spending? Furthermore, is Student Affairs really the most effective placement of these enterprises?
- What resources are allocated to off campus activities or organizations as mentioned by the VP and their staff as part of their outreach activities and economic initiatives, and how are these decisions linked to the core missions of the university?
- PSAT learned that the VP Office of Student Affairs has commissioned spending on the development of student surveys (Profile of the American College Student Study and Student Voice). Could the development of such surveys be done more cost effectively in conjunction with UNM's own Institutional Research?
- The VP for Student Affairs and his team also discussed "Economic Initiatives." Are these types of activities most appropriately housed in a division of student affairs?
- A number of international program activities seem to be conducted out of Student Affairs, as well as from many other locations on campus. Are there efficiencies and cost savings to be gained by combining these under one "International Programs" umbrella?
- Is Student Affairs the most appropriate placement for the Office of Institutional Support, whose mission it is to provide "seamless" support to faculty, students, staff and patrons of the University?

While more investigation is necessary, it appears that some activities conducted under the auspices of Student Affairs are duplicative of those conducted by other areas of the university. Additionally, the "portfolio" of services, activities, and events seems so broad and diverse that the core mission of the division has become clouded.

Equity and Inclusion:

The VP of Equity and Inclusion (E & I) spoke to the connection between her office and the University mission for diversity, including race, ethnicity, gender, disabilities, and any kind of exclusion. The VP's office addresses faculty, staff, students, and administration diversity issues including faculty recruitment and retention, and working with staff council for training staff.

The three ethnic centers report to the VP for Equity and Inclusion. In her supervision of the Centers, the VP encourages them to think of not just access, but success. She is working with the Centers to move from a focus on "coming to school and attending a lot of events" to a greater focus on mentoring, advising, and student success. She recommends implementing an Advisor Tracking System.

The VP also notes that her office could broaden the scope of services related to disabilities and accessibility, as well as the women's resource center, which is currently under Student Affairs and slated for possible reorganization.

Regarding budget, the VP began with a \$500,000 budget, which now stands at \$430,000 given the recent budget rescissions and cuts. The vast majority of the budget supports salaries of the VP and her staff.

When asked about potential consolidation of the division of E & I within another unit, she listed an array of Pro's and Con's. She spoke, for example, of her current collaboration with the VP of Enrollment Management as it relates to the recruitment of under-represented students. She sees the potential of the Ethnic Centers building relations with potential students and then increasing the yield. Transfer initiatives can and should be more targeted. She poses the question: why do we have similar activities that seem to target the same things? She also points out the amount of overlap and the need to not work in silos.

The arguments against consolidation begin with her point that she “would hate to see the momentum we have been building lost.” For underrepresented students to succeed, she highlights the importance of the campus climate and the need for there to be a higher number of underrepresented faculty. With respect to staff, the VP stressed the importance of a work environment that is respectful and therefore “would hate to see the training of staff go away.”

The VP for Equity and Inclusion expressed an interest in working with the Office of Alumni Relations to develop an “alumni of color” initiative. It is more likely that they might become donors after they graduate if they are more engaged as students.

A primary focus of discussion on students is the importance of investments connected to student success. The VP suggests that recruitment isn't the issue, but rather the achievement gap is. “In the 1960s, access was the civil rights issues, now success is the civil rights issue.” She asks, “How do we do things better so that we can reduce that achievement gap. How do we enhance their abilities to be successful? How are we going to do differently to ensure the success of students?”

Issue: There are some points of overlap. What are they and how should they be addressed? What are the cost savings associated with reducing the overlap, while either maintaining effective services and improving others?

While there is support for the activities of the Office of Equity and Inclusion, the question remains whether this position should be at a VP level. Exploring the potential for consolidation of the Vice Presidents for Students Affairs, Enrollment Management, and Equity and Inclusion may signal the beginning of true scrutiny of the number of Vice-Presidents and their associated operational and staff budgets. It is important, however, that any discussion of reducing the number of VPs be conducted in a mission-centric manner.

In sum, regarding consolidation

With respect to moving toward consolidating or realigning any of these three units, it will be important to more fully investigate and understand the current core missions, services, and outcomes of each, and then to determine if a different model would better serve our students, as well as produce greater efficiencies and cost savings.

Develop a strategy and plan focusing on tuition and fees.

The foremost principle determining a tuition strategy is to establish the means of providing a nationally and internationally competitive education for our students. As the State's contribution to the cost of education decreases, our tuition strategy must not only address replacing resources, but also encouraging incentives and quality improvements in the areas of advising and teaching. Merely using tuition increases for deficit solutions will lock UNM into a constant struggle to provide New Mexico students a quality education. A properly implemented tuition strategy will help manage class profiles (as measured by academic achievement, skills, and attributes), increase capacity utilization, increase retention and graduation rates, and maximize net revenue.

The NM State Legislature's Tuition Tax (tuition credit) results in regular tuition increases with no strategy or future plan for teaching and advising incentives. The tuition increase for fiscal year 2012 (academic year 2011/2012) must be a multi-year plan. Some elements that can be included in such a plan are included in the recommendation section.

Background

(Note that PSAT utilized the following resources in its discovery process, and that these can be provided upon request:

- Tuition and Fees History at UNM
- Breakdown of UNM Fees
- Tuition and Fees at Peer Flagship institutions – Washington State study)

UNM ranks 45th among the 50 state Flagship Universities for Resident Undergraduate Tuition and Required Fees. The national average resident undergraduate tuition for flagship universities is \$7,587 as of the 09/10 academic year. UNM charged \$5,101 in the same studied time period, however after adjusting for the State of NM Tuition Credit, the UNM charge falls to \$4,280. Over a four-year period Resident Undergraduate Tuition and Fees at UNM saw a net 19.4% (24.2% after Tuition Credit) increase in tuition and fees, while the national average increase was 29.0%. UNM's graduate resident tuition and fees was at \$5,597 (\$4,789 net after Tuition Credit) compared to the national average of \$9,160 in 2009-2010. Over four years, graduate resident tuition increased 17.2% (23.9% after Tuition Credit) compared to 20.9% nationally.

Recommendations

1. Incentivize on-time graduation: The 2010 Legislative Finance Committee Program Evaluation of UNM suggested funding Higher Education on performance based models. To anticipate this, the University can implement several revenue-generating mechanisms that incentivize on-time graduation while keeping the student share of UNM funding in a more fair range.

A. Block tuition for 4-6 years; cap blocked tuition at 150 earned hours, kick in annual increase after that time period: An idea promoted by President Schmidly, block tuition would provide a "tuition plan" for students enrolling in the University. While tuition may be increased annually, only the incoming freshman class would be affected, and they would be forewarned of the price and guaranteed it for a reasonable number of semesters. Students who take longer than average

to graduate will pay the current year's tuition, likely at a much higher rate than they previously paid.

B. Raise "full load" incentive to 15 hours per semester: At 12 hours, the current "full course load" is too small to facilitate on-time graduation. Eight semesters at 12 hours each is only 96 hours, while a normal degree requires 120+ hours. Moving the flat tuition rate to 15 hours would encourage higher course loads while continuing incentives to remain below overload amount (18 hours for undergrads). To accommodate for this shift the overload level should be raised to 21 hours. (Another way to incentivize is to offer a "rebate" for students who take and complete 15 credit hours. The rebate would be applied to their next semester of classes. Work with legislature to change Lottery Scholarship eligibility from semester to SCHrs. If Lottery Scholarship changes eligibility from semester to SCHrs, it will significantly increase our graduation rates since students will receive scholarship assistance for attending summer school.

C. Base tuition rates on class standing: Base tuition rates on number of SCHrs (similar to ability to register) to incentivize students to complete more SCHrs quickly to reach lower tuition rate. If students have more than 150 SCHrs incentivize students to graduate by increasing tuition rate.

D. Improve and Increase Articulation Agreements: The State needs stronger articulation agreements and a uniform numbering system to make it easier to advise students across NM higher ed institutions in order to minimize students taking classes not accepted for transfer to 4 year institutions.

E. Tuition/Fee Plan (as a response to the LFC's recommendation to justify large tuition increases): UNM needs to establish a collaborative discussion group that includes students, parents, Regents, faculty and administrators to develop an understanding of the tuition process and provide input to a tuition/fee plan that incentivizes on-time graduation.

2. Eliminate the Tuition Credit or Freeze the Tuition Credit Increment Increase

3. Incentivize all full-time faculty to provide excellent educational and advising services, whether tenured or otherwise, based on metrics: A revised model of advising students must be explored, possibly using technology, and not relying on schedule checking as the only means of advising.

4. Differential Tuition for specialized programs:

- UNM should increase tuition charges for students who desire to enroll in targeted programs (programs with high job placement/high placement in graduate/PhD programs/high graduation rates)
- UNM should charge a differential for programs that have low job placements/serve a small niche market/low graduation rates
- Units teaching these programs must keep the tuition differential revenue for these programs.

5. Fix Formula Inefficiencies: NM's I&G funding formula uses a 3 by 3 tier matrix based on Classification of Instructional Program (CIP) codes. The matrix needs to take into consideration the cost of providing a competitive, high quality, degree at a research university.

6. Evaluate Residency Requirements in NM

7. Tuition/Fee Plan and Impact:

- A. President should form group of undergraduates and graduates to develop understanding of tuition process and provide input to a tuition plan including some of the above recommendations. This plan should extend 5 years from the date of its initiation. Once finalized, the plan should be widely distributed and referenced by students and administration. This dialogue must become a regular part of the annual budget planning process and extend the 5-year window every annum.
- B. Use town halls with students (NMSU model) and media channels to educate and involve students in tuition plans and strategies.
- C. Plan should include a strategy for fees including student activity fees through the Student Fee Review Board and other mandatory fees funding specific departments. Course fees and tuition differentials should have a place in the dialogue.

Recommendations for the FY2011/2012 Academic Year

1. PSAT recommends that the tuition increase for FY12 should not exceed 10%, and every attempt should be made to keep the amount as affordable as possible. Even with expenditure reductions and revenue enhancements, UNM will face a shortfall that increased tuition rates will need to fill. No tuition increase can be possible without a tuition plan that is developed in a collaborative dialogue with students. The discontinuation of the tuition credit will enable such a plan to be formed.
2. The approach for FY12 is a stop-gap measure to enable the 3-year strategic budget plan.
3. This must be the last year of crises tuition planning/lack of planning.
4. The tuition credit must be discontinued.
5. Given our national standing, net of tuition credit, as 49th out of 50 State Flagship Universities, tuition increase is strongly indicated. (See page 4, Washington State U. National Tuition and Fee Report)

Explore a strategy to move to incentive- and activity-based revenue generation and budgeting.

In order to develop transparency and accountability and to encourage activity that advances UNM's goals, some form of performance-based budgeting must be adopted. In this way, the University of New Mexico can begin to align resources with performance and outcomes reflecting the mission of the University and the goals of its departments or units.

Background Information:

Key pieces of performance-based budgeting already exist. Units already at least annually report their activities and their workloads. Many academic as well as non-academic units have formulated their core missions in ways that can be measured and evaluated, typically through a combination of quantitative and non quantitative measures. What was made starkly clear to the PSAT was the (almost?) universal absence of a connection between those measures of excellence or performance and the resources used to achieve them. Establishing this connection is crucial to the proper management of resources either in times of budget cuts or of increasing resources.

Though it can build on existing administrative efforts such as self-studies and workload and annual reports, adoption of a new budget model will entail significant changes in the ways that departments conduct their work. The need for performance budgeting has previously been noted and studied. The UNM approach toward performance-based budgeting should continue to be developed in consultation with academic and non-academic units. It should be implemented gradually (over a period of years), but in a way that makes it clear that this budget model will be the primary tool for improving excellence in research, teaching, and service. Strong faculty and staff input are needed at every stage of the process with the explicit commitment that decisions will be driven principally by the academic mission of the institution.

While much of this has been recognized and attempts made by UNM to move toward performance-based budgeting models, the PSAT strongly feels that the urgency of the problem requires immediate new approaches with both near-term and long-term goals for implementation.

Recommendations for FY 2012

1. The Office of Institutional Research and the appropriate office of Financial Services should develop a *comprehensive* management information system that integrates student data with departmental and personnel expenditure data.

This is our most important recommendation because without the appropriate data relating performance to cost, none of the recommendations that follow can be completely successful. Data should be made available to allow for the development of per-unit measures of excellence and cost, including outcomes per student capita, per student credit-hour, per square feet of space or other relevant measures, depending upon the mission of the department.

2. Develop an academic prioritization process to guide decisions about financial and non-financial resource allocation, viability, relevance, maintenance, and development of academic programs.

3. Individual campus units should be tasked with developing their performance indicators that relate resources to outcomes.

The personnel and administrators of units are best positioned to identify the unit's core mission and appropriate performance indicators, to judge excellence in outcomes, and to recognize existing and missing inputs necessary for success. In practice, the performance indicators to be employed will need to take into account division-wide or college-wide criteria as well as some indicators specific to the department. Differences in unit performance levels will indicate a mix of differences in effort, efficiency, and effectiveness on the one hand and differences in the structure of departments and disciplines on the other. The cost of educating a student in a lecture hall is obviously different from doing so in a small seminar and both differ widely from doing so in a laboratory. Accordingly, in many instances, trends over time for a given campus department may offer a better measure of performance improvement, or lack thereof, than cross-department comparisons.

4. Performance indicators should be both quantitative and non quantitative: In the latter case they should be based on articulable facts.

5. Incentives should help departments develop external resources consistent with their mission, as well as to monitor and where appropriate, reduce costs.

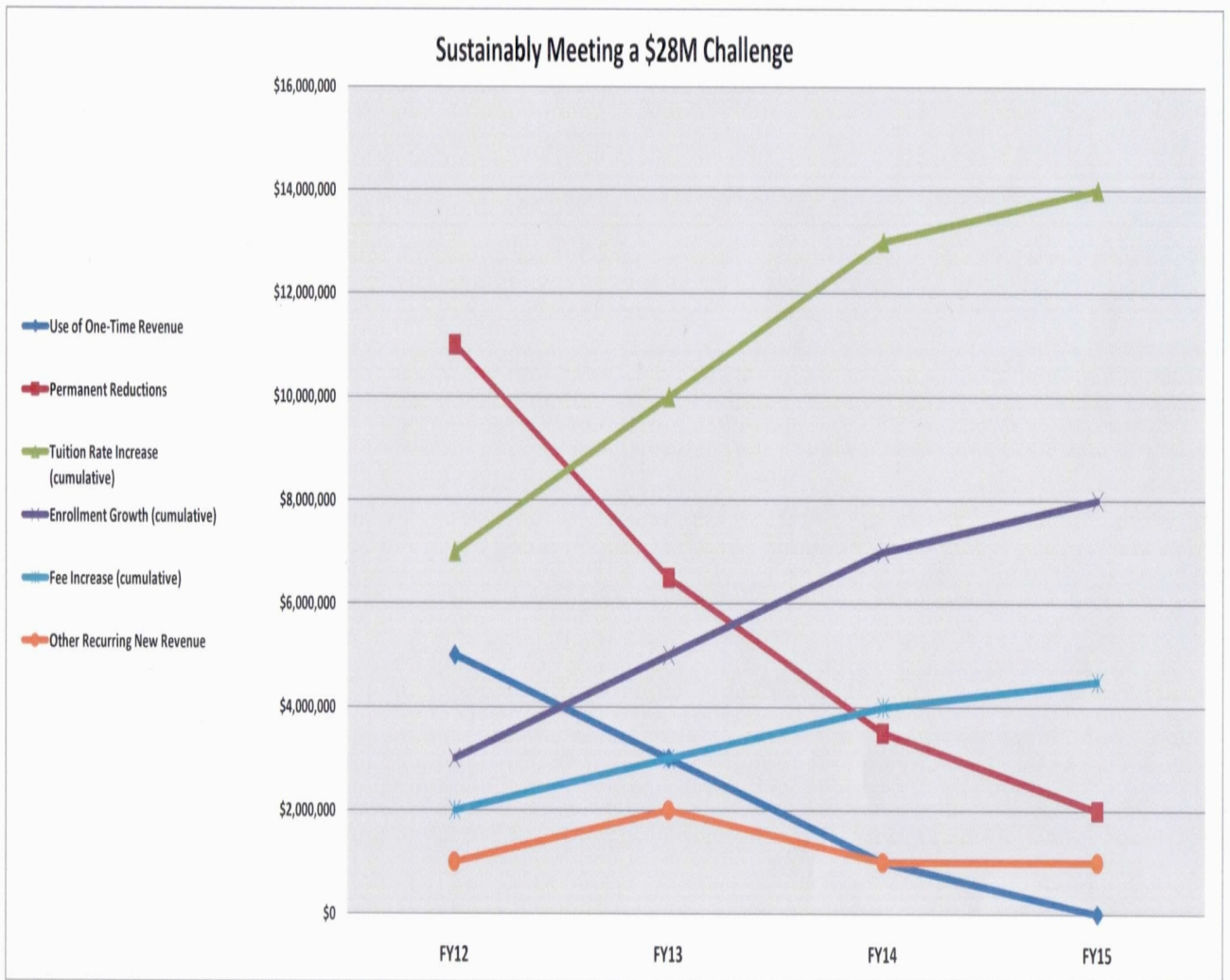
6. Campus units should be encouraged to volunteer to form a group of "early adopters" of performance-based budgeting. Their experience will serve to identify unresolved issues and facilitate the development of performance indicators by other campus units. These units should immediately begin the implementation process.

7. A performance-based budgeting "implementation" force should be organized to assist in the development of performance indicators and to provide campus units with the tools needed to carry out performance-based management. This implementation force should be led by a consultant (such as a former university provost or dean with extensive experience in academic budgets) and include the director of Institutional Research, the Academic Affairs Financial Officer, faculty, and personnel from support units such as the Finance Controller's Office.

The connection between performance and resources must be made. Units that are performing well according to trends in indicators identified in large part by their own faculty and staff, must be assured of additional resources and further incentives to carry out, and perhaps even expand upon, their mission. Units that do not perform well should not expect additional resources and should expect instead to alter strategy and/or leadership. While this may already occur in some forms, a major difference under performance-based budgeting is that front-line managers such as department chairs and directors would have information and tools that would allow the effective and timely decision making that can produce cost savings and containment. Key information, appropriate budgetary tools, and a performance-based budget framework result in clear expectations, predictable environment for budgetary decisions and a rational basis for planning.

Sample Tool: Displaying Assumptions Around a Funding Strategy Over Time
(FOR ILLUSTRATION PURPOSES ONLY - AMOUNTS SHOWN ARE NOT ACTUAL RECOMMENDATIONS)

	FY12	FY13	FY14	FY15
Use of One-Time Revenue	\$ 5,000,000	\$ 3,000,000	\$ 1,000,000	\$ -
Permanent Reductions	11,000,000	6,500,000	3,500,000	2,000,000
Tuition Rate Increase (cumulative)	7,000,000	10,000,000	13,000,000	14,000,000
Enrollment Growth (cumulative)	3,000,000	5,000,000	7,000,000	8,000,000
Fee Increase (cumulative)	2,000,000	3,000,000	4,000,000	4,500,000
Other Recurring New Revenue	1,000,000	2,000,000	1,000,000	1,000,000
	\$ 29,000,000	\$ 29,500,000	\$ 29,500,000	\$ 29,500,000
 GOAL	 \$ 28,000,000	 \$ 29,000,000	 \$ 29,500,000	 \$ 29,500,000
 Excess Over Goal for New Initiatives	 \$ 1,000,000	 \$ 500,000	 \$ -	 \$ -



Concluding Thoughts

Serving as members of the President's Strategic Advisory Team is both a welcome challenge and a learning journey. As individuals, we bring to this team our diverse opinions, perspectives, and life experiences. As a team, we must continually discover how to listen and learn from the richness of that diversity to arrive at sometimes difficult recommendations that will preserve, and ultimately strengthen, our core missions.

One of our conclusions is that, as a community, UNM has suffered from a lack of tools to facilitate our ability to understand and compare our assumptions, desires, and strategies. Often we have seemingly been at cross purposes with each other, but it has been difficult to understand where we truly differ in our opinions, and where we simply have lacked the ability to communicate those ideas effectively with each other. As the work of this and other campus groups continues, we believe that developing tools that will help us to better understand our similarities and debate our differences will ultimately help us to find the common ground upon which to build new solutions. In fact, PSAT has developed and will be experimenting with a tool designed for this purpose, an example of which can be found at the end of this document.

In closing, we know our work is not done. As other campus groups that are wrestling with different facets of this budget challenge begin to wrap up initial work, we need to find ways to bring all of the discoveries, recommendations, and new questions together to find sustainable approaches that our community can support. PSAT continues to stand ready to continue to serve. Indeed, it is our privilege to do so.

- Members of the President's Strategic Advisory Team
December 10, 2010

If you have questions or comments about this report feel free to e-mail:
budgetimpact@unm.edu

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