

11-22-2013

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Recommended Citation

Direction Package Advisory Board, "Direction Package Advisory Board Notes - November 22, 2013" (2013). *Direction Package*. 66.
http://digitalcommons.usm.maine.edu/direction_package/66

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Direction Package Advisory Board Notes
November 22, 2013
Room 285, Lewiston Auburn campus

Attending:

Bill Wells, Joy Pufhal, Mary Sloan, Jon Barker, Jeanne Munger, Carol Nemeroff, Lynn Kuzma, Blake Whitaker, Pam Roy, Judy Shephard-Kegl, Amy Amico, Ed McKersie, Bob Blackwood, Carlos Luck, Gary Johnson, Charlie Fitts, Charles Clark, Bruce Clary, Monique LaRocque, Laurenz Schmidt, Rick Vail

Guests:

Stephen Houser, Theo Kalikow, Jerry LaSala, Bob Caswell, Michael Stevenson, Susan Campbell, Dick Campbell, Dave Stevens (facilitator)

Overview by Dave Stevens:

- Thanks for LAC's hospitality – refreshments!
- Briefly mentioned meeting logistics, introduced himself as facilitator
- Introductions of newly-attending Board members: Laurenz Schmidt, Board of Visitors; Charlie Fitts, CSTH Associate Dean; Charles Clark, LAC SGA; (and later in the meeting) Rick Vail, USM Foundation Board and LAC Advisory Board.
- Agenda Modifications:
 - Theo and Jerry LaSala comments
 - Dick Campbell to provide 1) information requested at last meeting re: how USM's state appropriation is impacted by Outcomes Based Funding (OBF); 2) Information from the recent Board of Trustees re: structural gap on System-wide basis
- Finalize Process
- Short presentation by Dave on legal requirements re: press (it was determined that no press was present)

Brief Comments

- Theo:
 - Re: The Structural Gap... what it doesn't tell us: That we can't do our mission, it doesn't say no. It says we have to think differently about what we say yes to. We don't have resources to do all things and there's no way to

save us if we do things the same way. There's no Messiah to save us or Legislature or BOT or donors but the tremendous resources we have are the people in this room and friends in community. This is a tough place to be but as Wendell Berry says, "The blocked stream is the stream that sings." We have questions, are educating ourselves, and after a while we'll start to have ideas.

- First, we need to do lot of forgiving... of everybody before us. They're not responsible for changes that have come about, for reality changing on us. They all did their best and all loved USM, built wonderful things, connections, created institutions that have served Maine. We grieve for things we can't do in the same way, for the future we thought we were going to have and will not have tomorrow. We need to acknowledge it, recognize, forgive, and reclaim creative challenges.
 - We have big challenge but we're up to it. We are all committed to students, to USM, to Maine. We have track records of accomplishments, what we've already done, what all bring to this group. We have support, we have each other but we still have a big challenge: How to serve the students, and the state, with the resources we have? How to deal with the structural gap? We will find a way. We must honor the legacy people have given to USM and keep going onward. We can do it. Our first meetings were good. We need to move forward, although this won't happen overnight. We're up to it. This is our job and we're not going to fail.
- Jerry: I won't say a lot, because it's time to get to work - \$12M! But I'll mention what we heard at the last meeting, that 20% of the changes will do 80% of job... I hope this is right!
 - Dave: Yes, you'll most likely have to think about some really fundamental changes, given the magnitude of the structural gap.

Follow-Up on Last Week's Presentation by Dick Campbell - How USM's state appropriation is impacted by Outcomes Based Funding (OBF):

- Dick distributed a document on the UMS's "Habitual Allocation" of the State Appropriation
- At the last meeting, he talked about changes in USM's state appropriation due to 1) the Legislature and 2) Outcomes Based Funding (OBF), which last year was at a 5% level and this year is projected to be at 10%. OBF uses various factors, such as number of

students graduating, research, retention, and several other things. The question from the previous meeting was “How did this play out across the System last year?”

- On the distributed page, the first column shows the “Habitual Allocation”, the second column how the OBF played out, the third the change in funding, and the fourth the change as a Percentage. The largest increases were seen by UMA and the largest decreases by UM and UMM. This is at the 5% level and projection for next year will be at 10%.
- It’s a “moving target”: things will keep moving as to what factors are chosen, and of course what’s happening on campuses.
- Theo: OBF has many problems but its major virtue is that this is the only time in the 40 years since habitual allocation has been in place that USM has had an advantage; it’s supposed to go 5% per year up to 30%, with the formula tweaked over the years. As of right now, it’s a gift horse.
- Question about MEIF. Dick: No connection... this is a state allocation to UMS for research and development, the lion’s share of which goes to USM and UM.
- Question is actually about USM’s presence at the table for OBF (compared to MEIF, where USM’s presence at the table is significantly weaker than UM’s).
 - Theo: Yes to USM presence. OBF has gone through many iterations, was taken to the campuses, then back to the System with comments.
 - Michael Stevenson: USM was very well-represented, Dick was very influential.
 - Dave: Look at the chart, which shows USM’s increase of \$403K!
- Various components used. USM has always done excellent work w/ transfer students, helping them finish their degree but never got credit previously. This formula looks at # students graduating. First time UMS looking at this. This is the same reason for UMA’s increase, because they have many transfer students.
- Question about the different kinds of ways funds are allocated. Dick: this question references a different process, not the state appropriation that UMS allocates.
- Question about Liberal Arts contributing to economic growth; when a school is left out of OBF, the Liberal Arts are left out. Dave will put it in the parking lot. Have a concern that would be easy to turn today’s meeting into a discussion on OBF.
- Biggest driver of OBF is graduation. The State gives us \$180M/yr. The Legislature has specifically requested that UMS look at particular things: e.g. a graduate = 1, .25 additional for a STEM graduate. Also, regional emphasis.
- Twenty-three percent of USM’s funding is from the state appropriation. Five percent of the 23% is what’s impacted by OBF. OBF was never designed to reward all things but rather a small, specific piece of the budget.
- Suggestion for future agenda item: missing numbers. What was the actual formula? What were actual numbers?

- Dick: there was none; it was an historical/habitual allocation that every campus got, based on enrollments from 1969-70. There were numerous efforts to change this formula, but they were all unsuccessful. OBF is the first time a re-allocation is being done.
- Theo: it's a psychological change. There's finally a different way to do this instead of each university getting their historic percentage of the dollars. OBF is starting small and gradually getting bigger.
- Ed McKersie: We've just spent twenty minutes on this. It's valuable to know what the formula is, but we as a group need to know this is one of the tools we can use going forward. Our momentum, our business will get behind. This back and forth is taking so much of the time for the work we have to do.
- Dave: You'll find more than you'll ever want to know about OBF at thinkmissionexcellence.maine.edu

Information from the recent Board of Trustees re: Structural Gap on System-wide Basis – Dick Campbell

- At this week's Board of Trustees meeting UMS Vice Chancellor for Finance and Administration and Treasurer Becky Wyke presented "Multi-Year Financial Analysis FY2015 – FY2019." Dick shared excerpts from her presentation.
- In his presentation last week, Dick spoke of USM's \$11.9M gap. This represents almost half of the UMS \$28M gap, which by FY19 could be \$87M.
- "Dynamic Trend" developed, which changes assumption, e.g., Tuition/Appropriation increases at CPI; unified fee increase, across the board increase at CPI, etc. This results of change in numbers, reducing the FY19 structural gap to \$60M. From here, modeling is done to discover what it would take to close a gap of this amount, e.g., the appropriation would have to increase by 9.1% FY16 – 19 or, assuming no change in the appropriation, an 8.8% increase of tuition would be necessary. Or, if done entirely by reducing workforce, a 14% decrease, 686 FTE, would be required by 2019.
- The BOT had a vigorous conversation re: challenges UMS as a whole faces, with a sense that old solutions don't work anymore. Purpose of presenting this: give sense of problem across System as whole.
- Link for University of Maine System Multi-Year Financial Analysis: <http://www.maine.edu/about-the-system/system-office/finances/multi-year-financial-analysis/>
- Jerry LaSala: Question of reliability across the board...I attended a similar presentation by Becky Wyke five years ago, at which she projected a \$15M deficit, while the year ended with a \$28 surplus. Dick: We have been making significant budget cuts each year to balance... not without sacrifice. But I won't try to defend....

- Question: What is the assumption re: faculty positions going forward? Dick: Assume same number of positions (faculty, staff) going forward... “If nothing changes” approach.

Transition of Agenda:

- Monique LaRocque: I think we should be focusing on re-imagining who we want to be, where we want to go. Otherwise, we get stuck. Re: cuts, it’s depressing. We all “get it” but let’s get to the creative part. All this is important but....It’s so hard to always get this negative information.
- Dave: as facilitator, I need to know if the entire group is ready to do the same.
- Ed McKersie: This is to get us all in the same place, right? We’ve got to trust that the best has been done to frame this information for us. Let’s get through these presentations, not question so much... trust that these folks have done best they can.
- Jeanne Munger: If we don’t understand this part, and we don’t, we won’t be able to move forward, make informed, visionary process.
- Lynn Kuzma: We’re not able to cut our way out of our current situation.
- Dave: we’ll move forward when the majority of the group has a sense of the situation.
- Laurenz Schmidt: The assumptions of Dick Campbell’s presentation won’t happen independently but inter-dependently. On the revenue side, what can be done to increase the value of USM to students, so the money they’re going to spend is really worth it? Dave: Hold this thought.
- Bruce Clary: The financial analysis presentation is useful. Mission is important but this financial information is necessary.
- Jeanne Munger: Are you assuming that all of us will understand all of this, before we move forward?
- Dave: No such assumptions. But our plan does assume three phases - education, analysis, decision/recommendation - and we’re currently in the education phase...to give everyone an idea of the field you’re playing on, for both USM and the System. When the group says it’s got the baseline, we can move into the second phase - opportunities. We’ll get to this this afternoon. And then we’ll break group into small groups based on expertise, e.g., financial models). But you need to have an idea of the magnitude. When you’ve got the frame-up, not the expertise, let me know and I’ll be ready to move on.
- Do you recognize the framework... could be \$87M in next five years... got a large gap!
- And do you realize we’ve got tools, e.g., changing assumptions. These are what we need you to understand at this point. 8.6% projection USM; UM 3.6%, UMFK 11.6%. USM second largest. Will look at both revenue and expense, both sides... necessary.

- After the break, we'll shift the agenda. We'll talk about modeling and ideas for you to think about. This is YOUR group. I can throw out ideas but this group needs to be ok with direction. Therefore, accolades for pushing the facilitator to move ahead.
- Send feedback to facilitator at the Direction Package website.

Competitive Advantage – DRAFT

- Universities talk about financial sustainability, rather than business profit. Nothing new will be presented, all common sense, but very few organizations do things this way: competitive advantage. USM's ability to create a unique value proposition for students. USM is in a hugely competitive environment, and then add on Maine's declining demographics.
- Each campus is working on this competitive advantage idea
- **Value = Bundle of Benefits
Bundle of Costs**
- Benefits: quality, saleability, bang for the buck. Value equals a ratio of the benefits you get, over the sacrifice
- Thinking of students coming in, how would USM fill out this value equation?
- **Bundle of Benefits (Students):**
 - + Veterans
 - + First in family in college,
 - + Accessibilities
 - + Job training
 - + Perception
 - + Advertising
 - + Location, convenience,
 - + Internships
 - + Stories that are told
 - + Attraction (urban area => liveability)
 - + Reputation
 - + Reciprocal problem, flexibility for modality
 - + Credit Transfer Hours/Prior Learning (on portfolio basis)
 - + Service – attitude
 - + Ease of navigation of website
 - + Customer service, personal touch, convenient system for registration, etc.
 - + Facilities/amenities
 - + Press coverage - positive
 - + Research opportunities

- + Entertainment, student activities, sense of community, footprint in larger community
- + Service learning partnerships, utilizing Portland,
- + Depth/accessibility of alumni
- + Diversity of student experience, “no one mold”, opportunity to be an individual and aspire (big fish in small pond)
- + Transformational experience
- + Safety
- + Academic design
- + Pride, morale, welcoming
- + Organizational culture
- + Accreditation, demonstration of knowledge/competencies
- + Stand behind service after the sale
- Perception, even if not reality, of above
- “Unique”... let’s come back to this word
- Companies now may be wanting competencies, rather than degrees. We might be starting the move to a competency-based culture
- Press coverage has been negative
 - Will not be a student’s first choice if there is a negative perception
- Lack of information about curriculum design; ease of transferring into core needs **Bundle of costs**
 - + Financial aid (reduces cost)
 - Research \$
 - Time, dollars, psychic costs, burden
- Dave: What do you stand for? As mentioned at our first meeting, when there is less demand than capacity, survivors who have done well have a niche or a defined focus, e.g. LL Bean, Honda, Marriott. UMS may have a problem - trying to do too many things for too many people, spreading resources too thin.
- Monique LaRocque: Question that there’s more capacity than demand. More demand for education than imagine but we’re not going after it.
- Dave: Not sure he can see where nationally the demand is higher than capacity, given the data he’s worked with over the last year. But, he can see that we’re not grabbing opportunities. International piece? Might agree with that. Talking about higher education....?
- Ed McKersie: Are we talking about 4 year degrees or education consisting of three or four courses? Dave is talking about overall US capacity both traditional and non-

traditional. But what about the demand for education driven by employers... discrepancy?

- Dave: Knows for a fact that Southern New Hampshire University has announced plans to increase enrollment from first small group to 350K... they will have capacity!
- Jeanne Munger: There is demand out there, companies want continuing education
- Dave: Don't make assumption that we can't get students. We don't want to get lost in the big list above. We need a focusing piece, which will be provided in the second half of this meeting. USM can win in the market place... can do it... it's only a matter of 1) process and 2) focus...
- Joy Pufhal: Where is quality of education? How do we know we're focusing on the right thing?
- Dave: Differentiation! Need to get the right items? We can get them right by having 32 diverse experience, etc. teasing out, figuring it out.
- Bruce Clary: What should we stand for?
- Dave: Exactly, positioning is what we're doing. There are lots of markets USM can go after, etc. We're educating ourselves, thinking about options, and then we'll narrow and go after a finite number of things.

After break:

Dave shared two conversations he'd had during break: 1) Carlos Luck... "Isn't it the Value Proposition?" Yes! 2) Lynn Kuzma... Hendrix is a great example of above discussion. Dave: Also, 3 – 4 from Theo, also Portland Oregon State. We'll collect, put on website, read their success stories of market segmentation, and Value Proposition.

Value (added) Proposition:

- There are two principles:
 - Differentiate: bundle of benefits to bundle of cost is a higher ratio. Why pay more? Better bundle of goods
 - Low cost producer: Standardized product
Lower cost
This is a ratio, as the earlier one, but using the standardized product at a lower cost . In the Higher Education setting this is community colleges, Kaplan... cranking out faster, standard quality. Agreement that we won't go out for this, Chancellor/BOT wouldn't go along with this. So, why do students go after this? Mostly convenience.
- Competitive advantage is an open secret (but probably fewer than 10% of businesses and 5% of Higher Education institutions use it): What can USM do better (uniquely)? What the market desires? Need to find overlap of these two. When/If, we'll win market

segment. Why? When doing the first, we're bringing skills/expertise/passion/learning to the table. Match that with what the market really desires and we can beat the competition.

- What does USM do better?
- Bruce Clary: What should a university be doing? Dave: Yes, thank you – forgot the piece of mission! The other two items need to come together over mission.
- This is a challenge: we're not talking about USM's current mission. We might be, but may decide tweaking is needed and some other part of System needs to take it over. This is an option for us to think about. Mission is very important!
- **What does USM do better?**
 - + Meet needs of atypical students better
 - + Actual professors with relevant experience vs. TAs
 - + Low student faculty ratio = individual attention
 - + Solid/comprehensive education
 - + Accessibility to cultural amenities of Portland
 - + Attract/retain/graduate veterans
 - + Extracurricular activities
 - + Face-to-face interaction w/ professors
 - + Opportunities for hands-on learning
 - + Portland support/community ownership
 - + Mutual respect across disciplines
 - + Quality of teaching
 - + Internships
 - + Quality of life (safety, etc.)
 - + Contribute to urban economic development
 - + Scholar teachers (teachers who have done scholarship)
 - + Lifelong learning
 - + Problem-focused education
 - + Credentialing (flexibility, low-residency, summer in Maine)
 - + - Professional development for in-service professionals
 - + Access to technology
 - + Successful transition to career placement in their focus-field
 - + Engagement in research
 - + Facilities for conferences and professional development programs
 - + Lateral entry
 - + Transfers into community
 - + Communities of intellects
 - + Unique graduate niche

- + Unique quality programs
- + Living/learning communities
- + Three campuses
- + Be a partner for life K-12 - USM – career (“USM for Life”)
- + Expose of what experience was
- + Comparison shopping tips
- + Student success/preparation
- + Building community (personalizing and tutoring)
- + COES
- **What does USM need to improve?**
 - Experience in the whole fundraising piece
 - Alignment
 - Resources/means to approach market
 - International education year
 - Cost structure
 - Seamless integration between education/research/service, community interaction
 - Adversarial relationship between System/units, not much integration/sharing
 - University overlap/competition
 - Identification and involvement of stakeholders
 - Responsiveness/personal/contact in admissions
 - Marketing to Augusta
 - Meaningful partnerships with the business community
 - Younger faculty
 - Lack of identity as a state system
 - Advertising
 - Alumni engagement
 - More positive public image
 - Financial Aid
 - Fundraising
 - Lack of visibility
- Nice list. Haven’t looked at it as writing, but sense that you know what’s needed to be attended to. There are strengths there... some spark would take from where it is now to where it could take off! Lots of ideas!
- One of items above, **Resources/means to approach market** can’t be done right now. Prioritization and focus needed. Hendrix and others determined “If we’re going to do this, then we have to invest.”
- Dave editorializing: re: System, there is an opportunity to use some (not all) of the System components to serve some of those (above) things up. Think about this. It

doesn't seem we can do above w/out retrenching somewhat. UM is currently doing a sort of their programs into four categories: 1) Signature Programs ("we'll own these and out-compete state and region"); 2) Emerging – potential to become signature programs but need resources; 3) Core/Foundational – not signature, never will be but need to have as support for others; 4) Evolving (will be changing over time)

- USM can do similar categorization. We could make a System-wide collaboration....
- Rick Vail: It's not just students but businesses and families all are trying to do more with less
- Bruce Clary: Questioning student preparedness, study habits
- Rick Vail: Right - I was not prepared. Alumni? Community volunteers? Fundraising?
- Gary Johnson: 30% of students unable to pass math/English
- Joy Pufhal: Is there a place for System strategy? Dave: Yes, there is a role. This group won't work on something like this but a System-group. Chancellor is open to ideas like this.
- Carol Nemeroff: Is there a process for approaching the BOT? Dave: Vice Chancellor Sue Hunter's new role, in part, is to address this.

Wrap-up:

Dave:

- Top Down - Bottom Up: For now we're at the top level, at the top of the funnel, working on education and the big picture first, then we'll divide up, do analysis, etc., prioritize, and come back together.
- You've done amazing work and set the framework. Thanks for your open participation
- Because there's no time left today for prioritization, Theo, Jerry, and Dave will come up with the agenda for the next meeting

To be followed up on:

Dick:

- Link for Outcomes Based Funding formula: <http://thinkmissionexcellence.maine.edu/obftarchive/>
- Link for University of Maine System Multi-Year Financial Analysis <http://www.maine.edu/about-the-system/system-office/finances/multi-year-financial-analysis/>

Dave and Sharoo:

- Value Proposition and Hendrix and other examples (see notes in **After Break**)

Parking Lot:

- Opportunities to increase and using OBF
- Revenue increases
- Expense decreases
- Market segmentation (break down USM's... several categories? Which are we best positioned to go after? Rank order)
- Morale and impact
- Focus
- Positioning
- Liberal Arts contributing to economic development

DRAFT