



TOPIC: University of Maryland University College: Authorization to Initiate a New Business Model

COMMITTEE: Finance

DATE OF COMMITTEE MEETING: January 29, 2015

SUMMARY: University of Maryland University College (UMUC) is seeking the Board's approval to establish a new business model that would allow the University to better manage its resources and to be able to invest strategically in both academic programs and technological infrastructure in the future.

Specifically, UMUC is requesting the following actions of the Board of Regents:

1. Adopt the framework for a new UMUC business model outlined in the attached White Paper.
2. Formally delegate to UMUC's President the authority to develop and manage its own personnel and faculty policies, subject to the approval of the Board of Regents.
3. Support the UMUC President's appointment of a Managing Board having the responsibilities outlined in the attached White Paper.
4. Direct UMUC's President to develop legislative changes in the State Education Statute for review by the Board of Regents and ultimately adoption by the Governor and General Assembly that would achieve the operational goals of Model III described in the attached White Paper, including providing the same exemptions for all of UMUC's operations that currently exist for its overseas divisions and exemptions for public disclosure requirements with respect to proprietary and competitive information.
5. Instruct the Chancellor and President to further develop the framework contained in the White Paper for the Board's consideration and action at a future meeting.

As a result of these changes, the expectation is that UMUC would be able to grow its enrollments, maintain low cost tuition, and continue generating revenues for USM.

UMUC is a unique institution within the University System of Maryland (USM) and has always had an educational mission that distinguishes it from most other universities. Started as a division of the College Park campus that was focused on continuing education, UMUC quickly outgrew that narrow role and early in its history became a leading provider of higher education for adults and working students. An important and ongoing piece of that role was established in 1949 when UMUC began more than a half-century as the university for members of the American Armed Forces.

Over the years, UMUC has continued to offer high quality education to students in Maryland as well as to military students throughout Europe and Asia. Enrollment growth starting in the 1990s positioned UMUC as the largest university in the State of Maryland and one of the largest in the world. A significant part of that growth surge was through its early leadership in providing quality online education.

Competing in a world market that was first dominated by for-private institutions and then later included growing numbers of large state universities, UMUC has been Maryland's premier institution in the world of online education.

The challenge facing UMUC is how to maintain its position of pre-eminence in a global educational marketplace that is undergoing dramatic changes. There are more and more institutions providing alternatives to students. Advances in technology, and the costs of implementing those technologies, require continuing upgrades and investments.

The drawdown in American forces overseas has led to a steady diminution of military enrollments even as UMUC is still seen as the worldwide leader. Opportunities for growth within the State of Maryland are limited in light of the competition from other state institutions.

A recent dip in overall enrollments, to which the University has responded successfully through its own management efforts, served to highlight the challenges to remaining a global leader. The challenges were seen by the University's senior management as an opportunity to rethink the approach that UMUC takes to competing in the international marketplace. The result of a lengthy and rigorous process is a proposal to restructure UMUC's Business Model to enhance its ability to compete successfully with other institutions of higher learning

ALTERNATIVE(S): The Board may elect to maintain the current state of UMUC; however, the key conclusion of a thorough and independent review of the University's current operations is that maintaining the status quo would result in UMUC having a dramatically reduced ability to compete in the national and international online market.

Several alternative approaches to revising the UMUC Business Model were analyzed and are discussed in the accompanying White Paper. While the other options had some attractive features, in the end, Model III, labeled the "Bubble Model" was seen as offering the needed flexibility while retaining the closest relationship to USM and the Board of Regents.

FISCAL IMPACT: There is no immediate fiscal impact related to this change in the Business Model. UMUC has already significantly reduced operating costs. The new model would allow the University to better manage its resources and invest strategically in the future.

CHANCELLOR'S RECOMMENDATION: That the Finance Committee recommend that the Board of Regents approve for University of Maryland University College to initiate a new business model and authorize i) adoption of the framework for a new UMUC business model outlined in the attached White Paper; ii) formally delegate to UMUC's President the authority to develop and manage its own personnel and faculty policies, subject to the approval of the Board of Regents; iii) support the UMUC President's appointment of a Managing Board having the responsibilities outlined in the attached White Paper; iv) direct UMUC's President to develop legislative changes in the State Education Statute for review by the Board of Regents and ultimately adoption by the Governor and General Assembly that would achieve the operational goals of Model III described in the attached White Paper, including providing the same exemptions for all of UMUC's operations that currently exist for its overseas divisions and exemptions for public disclosure requirements with respect to proprietary and competitive information; and, v) instruct the President, together with the Chancellor, to further develop the framework contained in the White Paper for the Board's consideration and action at a future meeting. The University shall return periodically to the Committee to report and update the members on the status of the development and implementation of the Business Model.

COMMITTEE RECOMMENDATION: RECOMMEND APPROVAL

DATE: 1/29/15

BOARD ACTION:

DATE:

SUBMITTED BY: Joseph F. Vivona (301) 445-1923

A UNIVERSITY SYSTEM OF MARYLAND WHITE PAPER
January 29, 2015

**SHOULD THE BOARD OF REGENTS APPROVE A NEW BUSINESS
MODEL FOR THE UNIVERSITY OF MARYLAND UNIVERSITY COLLEGE?**

Introduction

University of Maryland University College (UMUC) is a unique institution within the University System of Maryland (USM) and has always had an educational mission that distinguishes it from most other universities. Started as a division of the College Park campus that was focused on continuing education, UMUC quickly outgrew that narrow role and early in its history became a leading provider of higher education for adults and working students. An important and ongoing piece of that role was established in 1949 when UMUC began more than a half-century ago as the university for members of the American Armed Forces.

Over the years, UMUC has continued to offer high quality education to students in Maryland as well as to military students throughout Europe and Asia. Enrollment growth starting in the 1990s positioned UMUC as the largest university in the State of Maryland and one of the largest in the world. A significant part of that growth surge was through its early leadership in providing quality online education.

Competing in a world market that was first dominated by for-private institutions and then later included growing numbers of large state universities, UMUC has been Maryland's premier institution in the world of online education.

The challenge facing UMUC is how to maintain its position of pre-eminence in a global educational marketplace that is undergoing dramatic changes. There are more and more institutions providing alternatives to students. Advances in technology, and the costs of implementing those technologies, require continuing upgrades and investments.

The drawdown in American forces overseas has led to a steady diminution of military enrollments even as UMUC is still seen as the worldwide leader. Opportunities for growth within the State of Maryland are limited in light of the competition from other state institutions.

A recent dip in overall enrollments, to which the university has responded successfully through its own management efforts, served to highlight the challenges to remaining a global leader. The challenges were seen by the University's senior management as an opportunity to rethink the approach that UMUC takes to competing in the international marketplace. The result of a lengthy and rigorous

process is a proposal to restructure UMUC's Business Model to enhance its ability to compete successfully with other institutions of higher learning.

In this White Paper, the case for changing UMUC's Business Model is examined in detail.

- A brief history of the institution is intended to demonstrate its evolution over time and to show how UMUC has always been a creative and innovative leader in non-traditional education.
- What follows is a review of the factors that led UMUC to engage in an examination of whether a new business model is needed.
- The next section describes the process by which alternative models were identified.
- Then, a number of potential models are assessed in terms of their pros and cons.
- Steps that UMUC is undertaking on its own initiative under the authority it already possesses are then described.
- Finally, the recommendation of Chancellor Kirwan and President Miyares to the Board of Regents is presented.

UMUC in Historical Perspective

General Lyman Lemnitzer, a former Commander in Chief of the U.S. Far East Command and the United Nations Command, once observed that the "sun never sets on the University of Maryland." That tribute was specifically in recognition of UMUC's historic role in providing quality education to members of the United States military all over the world. It's a role that the University first took on in 1948 when no other American university stepped up to the challenge.

It is a role that UMUC continues to play today even as the U.S. military changes its deployment patterns. There may be fewer American servicemen and woman stationed in Germany and Japan than when UMUC first started offering classes in those locations, but there are many more sites in the world where the sun is shining on UMUC.

UMUC was established to be Maryland's adult education university, growing from a division of the University of Maryland College Park to an independent institution. This is a university that was providing education to working adults long before the term "adult education" was in wide use. UMUC realized early in its history that the needs of those students were different than those of so-called traditional students. Everything from class schedules to advising to other support services had to be tailored to students who had limited time and lots of other responsibilities.

The adaptability that UMUC has shown in figuring out how to best serve adults has characterized its entire history and is part of its institutional DNA. UMUC

until only a few years ago received no funding from the State of Maryland and had to determine how to provide high quality, affordable education to students who often had limited financial means.

Inclusion in the state budget as an ongoing appropriation, which began in 1996, allowed the University to maintain low tuition and to invest in the infrastructure necessary to become a leader in online education. UMUC was one of the first public universities in the United States to concentrate heavily on this new mode of delivering education and quickly became a national and international leader.

Today, UMUC educates more students than any other university in Maryland and is one of the largest institutions in the country. Over the years, it has been recognized by leading national associations in non-traditional education, online education, and military education.

Seven United States Presidents, countless top military leaders, and thousands of servicemen and women have recognized and appreciated the incredible dedication and commitment of this unique institution. Colin Powell, former Secretary of State and Chairman of the Joint Chiefs of Staff, summed it up at UMUC's 60th Anniversary Celebration:

"In my 40 years of public service, both in the military and as Secretary of State, there was never any place I was assigned or went where UMUC did not have a presence. You were out there taking care of our troops, giving them the opportunity to continue their education even while they served their nation in the most dangerous of places on earth."

". . . As a soldier, as a diplomat, I want to . . . give you my heartfelt thanks for what you have done for the people I love so dearly: the armed forces of the United States."

Meanwhile, UMUC's reputation as the leading pioneer in online education was gaining attention throughout the education world. It has been said by education and government leaders that it was the "gold standard" in online education. This has been demonstrated as for-profit universities and some of our nation's top public and private universities have tried to replicate UMUC's approach to online education.

Most recently, it was announced that the World Affairs Council of Washington D.C. would be honoring UMUC and President Miyares as "Global Educator of the Year" at its March 2015 Annual Conference.

That award is but the most recent acknowledgement of the leadership that UMUC has constantly demonstrated over its long history and a clear indication that its high standards of excellence have not diminished over time.

The Emerging Challenge

Almost 68 years after its establishment, UMUC has been an incredible success story and one of Maryland's leading higher educational assets. The university receives an amount of state assistance that constitutes less than 10% of its total budget. That level of funding is comparable to that given to private colleges and universities rather than to other public institutions. Nevertheless, UMUC is the State's online university and its primary institution providing opportunities for adults and working students.

Current tuition levels at UMUC are the second lowest of any public institution in Maryland even as its enrollment is the highest in the State. In addition to providing a low cost option for students, UMUC has been able to absorb enrollment growth for USM at a time that many campuses were constrained by space limits. As a result, UMUC is able to play an important role in supporting Maryland's stated goal of 55% of its residents having college degrees.

The growing emphasis in state policy on workforce training and readiness is another close fit with UMUC's historical mission. Being a leader in competency-based education is one of the keys to that objective. And the goals of including all segments of Maryland's population in its economic future is well-served by the fact that UMUC enrolls more minority students than any other four year institution in the State.

Yet, the growing competition in online education and the increasingly aggressive efforts of for-profit institutions have in the last couple of years presented a direct threat to UMUC's ability to continue performing all of those roles for the State of Maryland. To provide relatively low tuition, high quality education and to stay at the forefront of ever-changing technological innovations, UMUC has to rely on a high-growth model to generate the necessary revenues.

There are a number of obstacles to that necessary enrollment growth. The military education market has been steadily declining and there is no reasonable prospect that it can be the basis for future growth at UMUC even as it remains an important part of the university's mission. The university is committed to maintaining its role as the leading provider of education opportunities for servicemen and women.

Yet another affirmation of that commitment was the 2014 ranking of UMUC by the "Military Times" as "Best for Vets." The recent hiring of retired Major General Lloyd "Milo" Miles as senior vice president for Military and Veteran Operations at

University of Maryland University College (UMUC) is a further demonstration of that historical focus.

Still, military enrollments are not going to be a major driver of enrollment growth. Neither is in-state enrollment. Even as UMUC continues to play an important role in Maryland's higher education strategy, declining numbers of high school graduates and intense competition from other colleges and universities will constrain UMUC's ability to achieve significant growth from this market.

UMUC's success and expertise in online education provides a third alternative. To grow at a rate that will provide the revenues needed to remain competitive, UMUC needs to increase its share of national and international students.

This analysis of the market led UMUC's senior leadership to pose the following question: **What is the best model to facilitate such expansion in a highly competitive environment that is presently dominated by agile for-profit institutions?**

The Review Process

To engage outside experts and a fresh perspective, President Javier Miyares asked the Chair of the UMUC Board of Visitors, Mark Gerencser, to form an independent group of businessmen and women. Their charge was to examine the challenges facing UMUC in its efforts to achieve sustained enrollment growth and to identify the best organizational model for success.

From the start, these individuals, who came to be called the Ideation Group, were seen as high-level advisors to the President. The clear expectation was that he would then consult with various stakeholder groups, share their findings with the Chancellor, and ultimately make a recommendation to the Board of Regents.

The Ideation Group engaged in a thorough analysis of UMUC's mission, of the changing higher education environment that the university faces, and of the global forces that are driving change. The group had access to detailed internal data with respect to enrollment trends, costs, and organizational structure. They also reviewed the major competitors in the field of adult and distance learning, assessing both their strengths and their limitations.

As an outside review panel, the Ideation Group was not constrained by any obligation to the current way of doing business nor were they limited in their recommendations by any pre-conceived outcomes presented in their charge. Their task was to provide a fresh perspective and a set of options for UMUC's leadership to consider.

Their final recommendations were grounded in their analysis of both UMUC and its competitive environment. One key bottom line conclusion was that

maintaining the status quo would result in a dramatically reduced ability to compete in their market space. From that observation, three additional points are crucial.

First, UMUC has to drive its cost structure down. The institution has already engaged in significant reductions in its business costs. Additionally, however, the Ideation Group pointed out that growth is essential to achieving the necessary savings that result from a large scale of operations.

Second, UMUC has to be a leader in educational innovation. This admonition applies to both the content of programs to be offered—with particular emphasis on being responsive to the needs of employers—and the technology to deliver its programs. Both of the requirements necessitate continued investment in the educational enterprise, investment that can only be undertaken with a growing revenue stream that results from enrollment increases.

Finally, UMUC has to be agile and flexible in its operations. Agility is certainly one of the key attributes of the for-profit institutions that have been winning a growing portion of the adult education market. In the opinion of the Ideation Group, being able to compete successfully with those providers requires an organization that operates more like a private business than a state agency.

The findings and conclusions of the Ideation Group were then shared with a Working Group of the Board of Regents that had been appointed by Chairman Jim Shea. Its members were Vice Chair Barry P. Gossett, and regents Linda R. Gooden, Francis X. Kelly, C. Thomas McMillen, and Thomas G. Slater. The purpose of this group was to provide feedback and consultation to President Miyares on the conceptual approach that was being considered for a new business model for UMUC.

While the Working Group never took any formal actions with respect to the proposal under development, their meetings with President Miyares ensured that he had the benefit of their strategic thinking on a new business model. This interaction turned out to be a valuable element of what was ultimately a highly collaborative process.

On July 10, 2014, President Miyares initiated a community dialogue on the Ideation Group's report in a global Town Hall meeting at the university's Academic Center at Largo. The purpose was to seek input from faculty, staff, students, alumni and other stakeholders on the findings of the Ideation Group as part of the process of review by senior leadership.

At the Town Hall, President Miyares emphasized that, while the Ideation Group explored a number of business models, the university will *not* become a for-profit entity, nor will it leave the University System of Maryland. He also indicated that, once community input was received and assessed, he would offer a recommendation to the USM Chancellor and Board of Regents for their

consideration.

Input was sought through a variety of means including a new “UMUC Future” Web page, which offered background, updates, resources and answers to frequently asked questions. The president also met with the university’s advisory councils and members of the undergraduate and graduate faculty, offered views on specific subject areas via his blog and responded to e-mail and blog comments.

This process broadened during the month of September with the initiation of a series of seven focus group sessions, including five face-to-face sessions in Largo and Adelphi, Maryland, and two global WebEx focus group sessions for university stakeholders across the nation and overseas. These roundtable discussions were specifically designed to allow faculty, staff, students and alumni to talk about their ideas of the university’s path forward and how UMUC should change.

The focus sessions were conducted as qualitative research designed to elicit individual views and responses. One hundred eighty-eight UMUC community members from around the world were invited and 67 participated.

To stimulate open and frank conversation, the participants were assured of anonymity. Participants in the small groups were reminded that no final decision had been made about organizational change and that their comments would help inform President Miyares as he considered what to recommend to the Chancellor and Regents.

Written summaries of each roundtable were drafted and a synopsis draws on those comments to sum up the hopes, challenges and concerns the participants voiced, not only about the proposal but also about the state of the university. This report divides the comments into nine themes, some of which focused on operational matters.

The sessions were designed to elicit individual comments, suggestions and criticism. No attempt was made to have the groups come to consensus. There were some common themes that emerged across the sessions. Comments ranged well beyond the Ideation Group’s recommendations about organizational structure and included past and present operational concerns.

The collaborative process in the university community provided important insights that helped inform President Miyares’ consideration of the Ideation Group’s recommendations and spurred immediate actions.

The Ideation Group had identified seven potential models for the University leadership to consider. For analytical purposes, the list included some options that were never really considered feasible, but highlighted the choices facing UMUC.

Based on the continuing discussions led by President Miyares, three final alternatives were examined including a consideration of the pros and cons of each model. They were evaluated in light of four major conclusions that the Ideation Group recommended for UMUC to grow and compete in the national and international markets. These included:

- First, it is essential that there be established at UMUC a performance-driven culture. In a competitive world in which results are critical, the skills and attitude needed to achieve those results have to be incentivized and rewarded. That requires a human resources system different than the one mandated for state agencies.
- Second, the way in which the institution pursues its educational objectives has to be characterized by flexibility, efficiency and agility. Rules and regulations that are relevant and effective in an environment where uniformity is highly desirable tend to get in the way of the needed flexibility. Lengthy approval processes mean that the business opportunity may be gone before the process is completed.
- Third, the ability to protect UMUC's proprietary and competitive information requires exception to the normal requirements of transparency in public agencies. This point should not be seen as arguing for an exemption for all public disclosures, but, rather, only from those that directly involve issues related to being able to compete where information, data, and processes are sensitive competitive factors.
- Fourth, as part of the need for continued enrollment growth, there may be a number of different means toward that end. In the world of business, growth often comes through mergers and acquisitions. That rarely happens in the public sector, yet should be an option for UMUC as it builds its national and international footprint.

These four factors were critical elements of the review and evaluation of the three conceptual models that were the "finalists" for a new UMUC business model and which are discussed in the next section.

Model I: A Separate Non-Profit 501(c)(3) Entity

Transforming UMUC from a public entity to a non-profit, one of the options posed by the Ideation Group, would result in an organization with the highest degree of autonomy and independence of the three considered here.

There are a number of significant advantages that would accrue from becoming a separate non-profit 501(c)(3). For purposes of discussion, the analogy that is most familiar to Maryland policy makers is the University of Maryland Medical System (UMMS) that was created by the General Assembly in 1994.

This model would be highly responsive to each of the four criteria list above. As an independent entity, a non-profit would have significant flexibility and agility to develop a performance driven culture, to protect UMUC's proprietary information, and to engage in mergers and acquisitions to facilitate expansion. Moreover, this model would allow UMUC to expand its revenue streams via both for-profit and non-profit ventures.

All of these advantages would result directly from having total autonomy from USM and State policies, regulations and statutes. That autonomy would also facilitate the recruitment of a strong board of directors made up of national and international academic, business and military leaders.

Nevertheless, during the discussions and feedback sessions, all major stakeholder groups expressed a high priority for UMUC to remain a part of USM. It is clear that UMUC's identification with USM and the State of Maryland is a critical component of its brand strength.

There would be a number of other drawbacks to this model. For one, becoming a separate non-profit would cut the tie to the Board of Regents and the Chancellor. As a result, integrating UMUC into System-wide approaches to educating Marylanders would become much more difficult. The review process highlighted the strong value that is felt by all stakeholder groups to UMUC's public mission.

A transition of the sort envisioned by this model would also raise difficult questions about the resources that would be needed by the new entity. For example, not being part of the State's health benefits system would add a significant financial burden to UMUC. Similarly, this model raises difficult questions about whether state funding would continue to be available.

Finally, and certainly not a minor issue, this kind of dramatic transformation would require legislative approval by the General Assembly. That approval would be difficult to achieve under the most optimistic of scenarios.

Model II: A Non-Profit 501(c)(3) Affiliated with USM

A second alternative also envisions a non-profit 501(c)(3) organizational structure, but in this instance affiliated with USM. An example that has some similarities to this approach is the current USM Foundation.

This model would have many of the advantages of Model I, including a significantly increased flexibility and agility to develop a performance driven culture, to protect UMUC's proprietary information, and to facilitate expansion through mergers and acquisitions. This entity would also be exempt from USM and State policies, regulations and statutes.

While this approach would also allow the recruitment of a strong board of directors, ultimate control over UMUC would reside with the Board of Regents through its authority to appoint that board of directors.

The first impression of this model is that it would avoid many of the shortcomings of Model I. A more careful analysis, however, raises a number of other problems.

While this model would allow UMUC to remain a part of USM, there might be ambiguity about whether it could actually be considered a constituent institution of the University System. That in turn might undercut UMUC's brand as a public university of the State of Maryland, which was considered by everyone who expressed a view as one of UMUC's most important assets.

Model II also gets into all of the resource questions associated with Model I. The potential inability to participate in the state health care system would be a significant loss. Similarly, what form and amount of state funding would be a question left to an uncertain political process.

Moreover, Model II raises difficult issues with respect to reporting lines and accountability. Would the head of the new entity report to the new board, to the Chancellor, or, in some sort of dual reporting line, to both?

Sorting out the relative roles of the new board and the Board of Regents would also be challenging. While it is envisioned that the Board of Regents would appoint the members of the new board, what authority the Regents would maintain on an operational basis is harder to determine.

The USM Foundation has been able to successfully resolve these issues and functions in an effective manner. The fundamental difference, however, is that the Foundation's role is a reasonably narrow and well-defined one. The purpose of transforming UMUC's business model is to allow the organization to function in a more autonomous and entrepreneurial way.

Model II in the final analysis avoids some of the pitfalls of Model I, but does not achieve the desired outcome in terms of operating flexibility for UMUC.

Model III: The “Bubble” Model

Throughout a lengthy and thorough process, the focus has always been on identifying a business model that would allow UMUC to operate competitively in the national and international online market while retaining its relationship to USM and the State of Maryland.

That process allowed the UMUC leadership to pinpoint the crucial areas in which greater flexibility was needed as well as to calculate both the benefits and the drawbacks to its current organizational structure.

Unlike the first two models, Model III starts with the existing structure. Instead of moving away from USM, this model is built on adding autonomies and exemptions from specifically delineated USM and State laws, rules, and procedures. UMUC would remain in USM but its unique character and mission would be recognized through a series of delegations from the Board of Regents and, in a limited number of instances, changes in State law.

This approach would ensure that UMUC continues its current mission, that it remains a part of USM, and that its highly successful brand is not diminished or altered. The key areas requiring delegation or changes in statute include HR/personnel, procurement and strengthening of protections of proprietary and competitive information.

Model III also incorporates a “managing board” that the President would appoint. Subject to the ultimate governing authority of the President and the Board of Regents, this new board would be responsible for guiding and advising the development of UMUC’s strategic direction and critical competitive decisions. As currently envisioned, the board would include national and international leaders in academics, business and the military

How to best address one of the critical objectives raised by the Ideation Group is not fully addressed in any of the three models. UMUC needs to have the agility to respond in a timely manner with educational offerings for which there is a newly identified need in the market. That ability is one of the key competitive advantages that for-profit institutions currently have. While UMUC does not presently have a specific proposal for how to remedy that problem, there is a clear need to return to this issue in the near future.

The “Bubble” Model is the simplest of the three, requires the least structural changes, and raises less difficult political approval issues than the other two. While the argument might be made that other institutions would also want some of the autonomies proposed in this model, the reality is that UMUC is unlike any other

university in USM and operates in a totally different market environment than any of the other institutions.

To make Model III successful, it will be essential that the structural changes be formalized rather than left as understandings or informal arrangements. In a few limited but critically important areas, statutory changes will be necessary.

Steps Initiated by UMUC President Miyares

Based on the work of the Ideation Group, the internal collaboration process involving faculty, students and alumni, and examination by senior administration officials, a number of specific steps were identified to improve the business operations of UMUC that could be implemented immediately. These were all within the current authority of UMUC and did not require approval by the Board of Regents or the granting of additional authority to the university.

UMUC operates in a highly competitive, dynamic environment. Remaining static and not continuing to respond to external challenges is not an option even as the discussions about a new business model proceed. In that light, a number of major initiatives have already been undertaken to:

- Increase academic innovation
- Improve marketing
- Increase enrollment and retention of students
- Upgrade the university's strategic plan
- Engage the university community in clarifying UMUC's vision, mission, and strategy

These initiatives have already yielded measurable progress in enrollment and retention of students. Additional steps are being considered but UMUC lacks the operating flexibility to accomplish the goals endorsed by the Ideation Group, the internal collaboration process, and the review by senior university officials. The short-term success in adjusting to enrollment challenges has not negated the need for a new business model; rather, it has underscored the importance of being more flexible and entrepreneurial.

The Recommendation of Chancellor Kirwan and President Miyares

The Chancellor and UMUC President believe that UMUC should continue as a public institution fully within the USM. Thus, they recommend Model III as the one best suited to address UMUC's needs. Implementing this model would involve the following steps:

- Subject to the approval of the Board of Regents, UMUC should be provided with the authority to develop its own HR/Personnel/Faculty Management policies appropriate to its mission.

- UMUC should be exempted from state procurement policies and regulations, as the Maryland Technology Development Corporation or the Maryland Automobile Insurance Fund are. Note: currently, UMUC's overseas operations enjoy statutory exemption from state regulations in the area of procurement.
- UMUC should be provided with statutory exemptions from public disclosure requirements with respect to proprietary and competitive information.

In addition, the President should appoint a Managing Board of national and international academic, business and military leaders to provide guidance on policy developments; to guide the development and monitor the implementation of UMUC's strategic initiatives and business operations; and to guide the national and international expansion of UMUC; and to advocate for the preservation of the autonomies granted to UMUC.

Specifically, the Managing Board will:

- Guide the development of UMUC personnel and faculty policies.
- Guide the development of procurement policies.
- Guide the development of UMUC's national and international expansion plans and initiatives.
- Guide the development of UMUC's tuition rate strategy.
- Participate in the search process for UMUC's presidents as requested by the Board of Regents

The Board of Regents is thereby requested to approve the following actions:

- 1. Adopt the framework for a new UMUC business model outlined in this White Paper.**
- 2. Formally delegate to UMUC's President the authority to develop and manage its own personnel and faculty policies, subject to the approval of the Board of Regents.**
- 3. Support the UMUC President's appointment of a Managing Board having the responsibilities outlined in this White Paper.**
- 4. Direct UMUC's President to develop legislative changes in the State Education Statute for review by the Board of Regents and ultimately adoption by the Governor and General Assembly that would achieve the operational goals of Model III, including providing the same exemptions for all of UMUC's operations that currently exist for its overseas divisions and exemptions for public disclosure requirements with respect to proprietary and competitive information.**
- 5. Instruct the Chancellor and President to further develop the framework contained in the White Paper for the Board's consideration and action at a future meeting.**