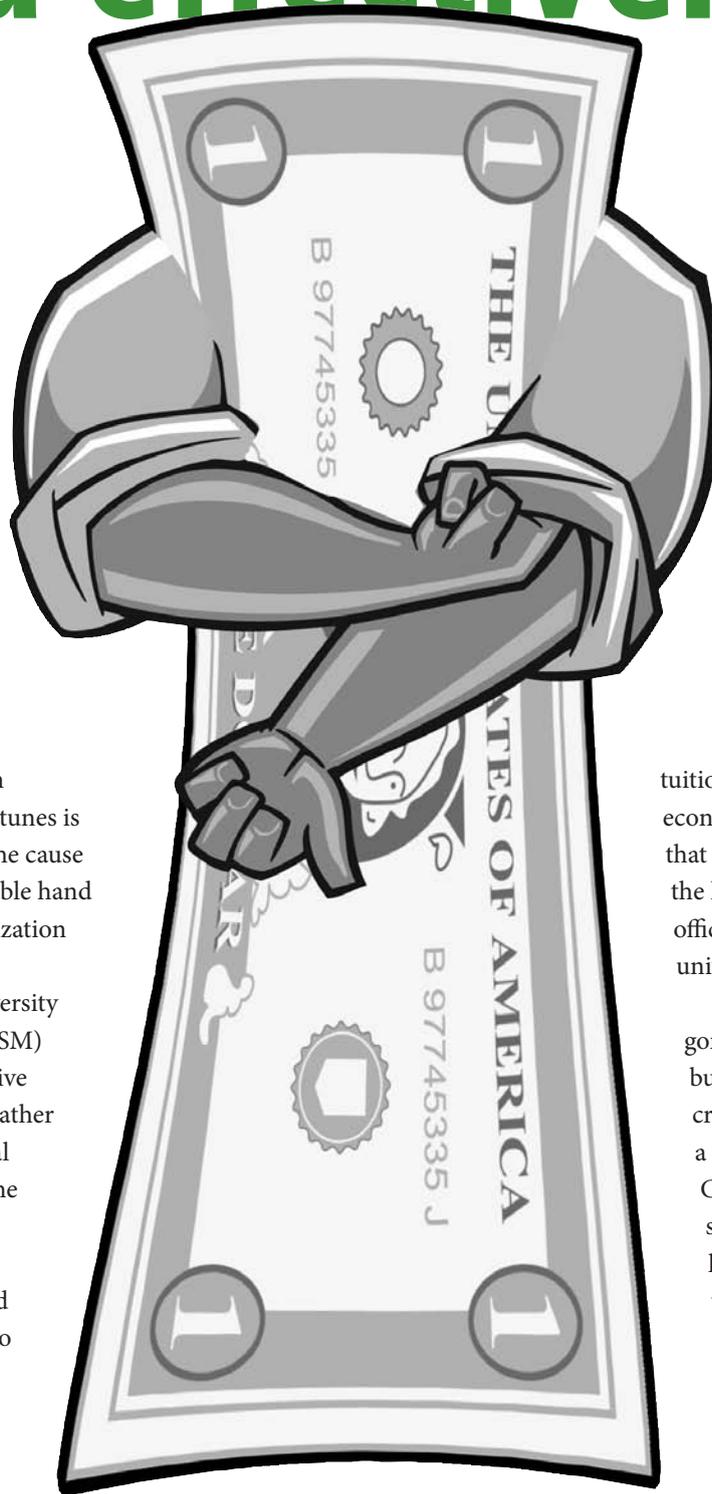


A model of efficiency (and effectiveness)

By Carole Shelley Yates



University System of Maryland proves it's possible

A downturn in financial fortunes is frequently the cause of considerable hand wringing for any organization and universities are no exception. But the University System of Maryland (USM) chose to take the initiative and shape their future rather than letting the financial circumstances dictate the outcome.

The System began the new century in good financial shape thanks to state investments that resulted in a growing reputation for the 11 universities and two research institutions. And then 2002 arrived and Maryland's revenue took a downward turn. Instead of funding increases from the state, USM lost \$120 million in one double-digit budget cut alone and witnessed double-digit

tuition increases several years in a row. Their economic problems occurred at the same time that a huge enrollment increase loomed on the horizon. If that weren't enough, elected officials were concerned that a bureaucratic university system was wasting money.

The USM Board of Regents could have gone on the defensive against such criticisms, but instead they decided to "examine any criticism, gather the facts, and proceed in a positive manner," according to Board Chairman Cliff Kendall. Leaders at all system institutions have spent four years looking carefully at every way possible they could to be more effective and efficient. The results have exceeded everyone's expectations. Since 2003, USM expenditures have been reduced by more than \$35 million in real dollars taken out of the budget and the system is on track for an additional \$36 million reduction over the next two years, Kendall told a

legislative subcommittee last January.

This story of USM's efforts to be more effective and efficient began with a Board of Regents charge for institutional

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leaders to work together to develop a model education delivery and organization system. This became the Effectiveness and Efficiency (E&E) initiative launched in June 2003.

Chancellor William Kirwan says initial steps included getting the presidents on board and continually communicating with all staff about the E&E efforts. “We were very clear with everyone that we were going to do things that made us more efficient, able to serve more students, but never at the expense of quality,” he says. Work groups were developed, individual institutions were assigned specific tasks, and system-wide councils of faculty and staff met regularly and provided feedback. The Regents and USM identified 16 actions as opportunities for increasing effectiveness and efficiency in the University system. Implementation of these actions began in Fiscal Year 2004, and initial goals were scheduled for completion by the end of July 2007.

Administrative Savings

“The initial savings were achieved because we were able to take advantage of large purchasing consortia in procurement of energy and technology,” according to Joe Vivona, vice chancellor for administration and finance/USM chief operating officer. He says one of the best examples was a contract with Microsoft procurement for licensing Microsoft products that was extended to 13 USM institutions and some Maryland counties, estimated to save USM \$5 million over a five-year period.

Some of the other major procurement changes for substantial savings include:

- Electricity procurement contract systemwide awarded in July 2005 that will produce fiscal savings worth 10-15 percent, or about \$5 million.
- A PeopleSoft support agreement that resulted in an anticipated \$7 million reduction in maintenance costs over the next 10 years.
- A systemwide consortium for gas purchases starting July 1, 2006.
- Identifying energy conservation measures systemwide for substantial savings, starting with evaluating most effective lighting technology and examining heating/ventilation/air conditioning systems to establish system-wide design standards for all new construction.

Academic Effectiveness and Efficiency

On the academic side, the E&E workgroup recommended changes that the Board of Regents approved in February 2005 and became effective that fall. Kirwan says these initiatives are aimed at expanding the capacity of the institutions to provide access to the 20 percent increase in student demand anticipated for 2005-2013 due to an increase in Maryland’s 18-22 year-old population. The fall 2006 enrollment already showed a record 135,005 students system wide, up 5 percent from the previous year.

Academic changes included:

- First-time freshmen will complete at least 12 credit hours (10 percent of the total) required for graduation outside of the traditional classroom experience as part of their undergraduate program.
- The standard number of credits required for a USM Bachelor of Arts degree will be 120, with some exceptions for licensure or state regulations.
- On average, by institution, teaching contact hours will increase by 10 percent. Vivona states that this goal was achieved as of fall 2006.

Of the first academic change, Kirwan notes, “We thought it was pretty creative to require students to earn 10 percent of their degree credits through online classes, work study, internships, study abroad. If students are not in the classroom, that is space for other students. This got everyone’s attention and showed them we were serious.”

Increasing faculty teaching contact hours by 10 percent and standardizing the number of degree credit hours caused much discussion on the campuses. Presidents Robert Caret, Towson University, and Thelma Thompson, the University of Maryland Eastern Shore (UMES), emphasized that the shared governance system at their universities allowed them to work with the provost, deans, Faculty Senate, and other employees to help everyone understand that the E&E initiative is an opportunity to work together to benefit the students.

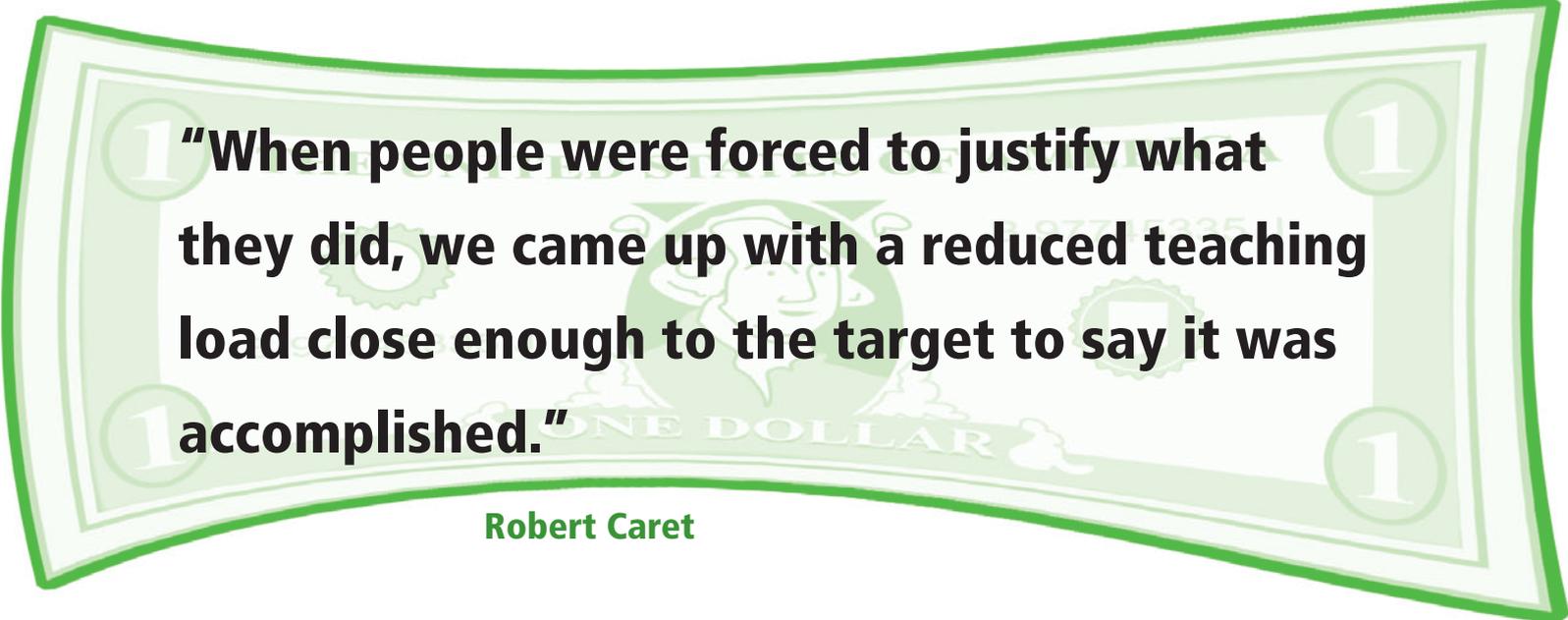
At Towson, faculty workload is determined from a base of four courses each semester and then changed depending on the service and research involved, Caret says. He told faculty at USM's largest comprehensive university (18,000+ students) to work with their department heads to determine their teaching load. He hoped that if the process were done honestly and fairly, Towson would achieve its faculty workload reduction. "And that's what happened," Caret says. "When people were forced to justify what they did, we came up with a reduced teaching load close enough to the target to say it was accomplished."

At UMES, a historically black college with 4,130 students, Thompson says the E&E initiative also is making a difference in providing more need-based financial aid for UMES students who are mostly first generation students. One E&E goal is to make higher education affordable. Thompson says UMES

the state our efforts to be efficient and not waste money in a large bureaucracy. We wanted to make sure we were credible with state elected officials so we documented everything about the savings and gave them a transaction by transaction file."

While other states also have accomplished similar E&E goals, Kirwan believes Maryland is the first to work on a systemwide basis. He says, "I think the E&E effort is one of the most effective things we can do in making our case to the General Assembly for additional support and resources."

In addition to systemwide savings, individual universities found their own E&E solutions. Caret says Towson University is seeking state and board approval to immediately convert the summer semester from a low productivity time into a third semester. "If we can entice students to do a trimester, they can get through more quickly and we'll need fewer buildings. We



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Robert Caret

is doing that by collecting tuition and fees but returning 24 percent of the money to the students who need financial aid.

After two years of working on the E&E effort, in 2005 Kirwan and his staff submitted a collection of E&E initiatives to then Governor Robert Ehrlich and the General Assembly that enabled the system to serve more students and protect the quality of the programs. This comprehensive strategy, Kirwan says, helped build the case for more support from the state very quickly.

For their efforts, Governor Ehrlich recommended and USM received a 5.9 percent budget increase for 2005-06 and a 14.4 percent increase for 2006-07. The General Assembly also recommended no tuition increases for two years. Ehrlich provided additional funding for student aid to the state's historically black campuses.

Vivona says that the funding success of Fiscal Year 2006 and Fiscal Year 2007 was "largely because we demonstrated to

can do flexible scheduling that allows faculty to teach in any of 3 semesters," he explains.

UMES found \$2 million in cost savings overall after examining their practices, says Thompson. For instance, administrators noticed students weren't using their telephone landlines, so UMES's phone contract was renegotiated for a satellite phone system, Thompson says. "We developed our own cell phone system named Hawk Talk after our mascot, the hawk."

Students buy cell phones for \$5 and pay a minimal monthly rate. Using Hawk Talk, the university can communicate instantly with the entire student population through text messaging. "We send students reminders about the last day to drop classes, when deferred payments are due, and more," according to Thompson. "We rolled it out last fall and 22.5 percent of the students signed on compared to our usual 5 percent with anything new. The system provided a direct cost

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savings of over \$150,000 for the first semester alone.”

USM is now in the academic transformation phase of the E&E initiative. Kirwan believes USM is the first to embark on a systemwide project that reengineers lower division courses using an approach that is more technology-dependent, places more responsibility on the students, and frees up faculty for other activities. Using the theory developed by USM consultant Carol Twig, Kirwan explains, tutorial centers where students interact with faculty or graduate students for help replace large lecture sections and meetings with teaching assistants. “This is a more active learning approach that can save money and better meets the learning needs of this generation of students,” he adds. A voluntary pilot project will begin Fall 2007 when each of the 11 degree granting institutions will work on a course.

One of the Board of Regents’ goals of E&E is accountability to the students and to the state, says Kendall, Regents chair. One workgroup developed “dashboard indicators,” 20-30 measurement indicators categorized under six major categories that tie into the strategic plan of the system and of individual universities. Kendall says this has given the Regents a much clearer understanding of how the system relates to the state in providing higher education and the roles of each institution.

Can the Maryland E&E effort be replicated at other higher education institutions? Kirwan says “yes,” either in a system or at individual institutions. He recommends hiring a consultant to help with the process and venturing into a partnership with the state. For example, instead of asking the state to provide all of the funding, USM agreed to pay for the cost of the first 2,500 new students expected in an estimated growth of 10,000 students over the next five years. “This was an entirely different psychology for us by showing the state that we are doing

something and not expecting the state to do everything,” Kirwan explains.

He also recommends changing the way the budget is presented to the governor and General Assembly. “Instead of going in and saying what our needs are, we now go in and align our requests with state priorities, such as workforce development or economic development. It’s been very effective for us.”

Finally, he notes, “I do believe E&E has now become institutionalized in Maryland. It’s become part of the higher education culture and expectation in going forward with change.”

For more information on the USM E&E initiative, visit: usmd.edu/usm/workgroups/EEWorkGroup/eeproject/. 

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