Faculty Senate Cabinet
University of Cincinnati
PO Box 210082
Cincinnati OH 45221-0082
Room 3120-F Edwards One
Phone (513) 556-0127

To: The University Faculty
Fr: Richard J. Harknett, Chair of the University Faculty
Re: Transmittal of D.A.I.R. Report
May 20, 2011

In mid-March, an adhoc Faculty Senate Committee on Deregulation, Autonomy, and Institutional Restructuring (DAIR) was created with a specific charge to inform the May 24, 2011 All-University Faculty meeting about issues related to the concept of "charter universities." This effort was undertaken in anticipation of a plan due in August to be developed in the office of the Chancellor of the Ohio Board of Regents.

I am transmitting that report on behalf of Senator Frank Wray, the committee chair, and the committee's seven other members. I wish to commend our colleagues for taking on this task with short notice and a tight deadline. They have dedicated an extraordinary amount of time to a service effort none of them had originally anticipated in their spring quarter workload.

I hope this preliminary report of the committee provides the university community a basis upon which to conduct an informed discussion at the All-University level. This process is an important example of shared governance in action. The committee received information support from various offices across campus and conducted meetings and consultations with administrative and faculty constituencies.

It is my expectation that through our shared governance mechanisms, faculty will be able to provide important input moving forward as discussions take place both at UC and state-wide on this important issue.

UC: An Ohio preeminent 21st Century Public University

Preliminary report prepared by the UC Faculty Senate Ad hoc Committee on Deregulation, Autonomy, and Institutional Restructuring (DAIR)

May 20, 2011

DAIR Committee Members:

Frank Wray (Committee Chair), Raymond Walters College

Sid Barton, College of Business

Jeffrey Bauer, Clermont College

Janine Hartman, McMicken College of Arts & Sciences

Pamela Heaton, College of Pharmacy

Jennifer Krivickas, University of Cincinnati Libraries

Alex Lentsch, College of Medicine

Stephen Mockabee, McMicken College of Arts & Sciences

Richard Harknett (ex-officio member), Chair of the University Faculty

Charge to the Committee

The committee will inform Faculty Senate on models of public higher education in which deregulation or regulatory reform in general has been coupled with increased local autonomy that has required internal restructuring of operations, including shared governance. The investigation will include, minimally, the examination of the concept of "charter universities," and reforms that have recently occurred in Virginia and Iowa. A preliminary report will be constructed so that informed preparation and discussion can occur at the May All University Faculty Meeting.

Executive Summary

Based on examination of a wide range of data from the University of Cincinnati (UC) and benchmark institutions, the committee finds that UC, relative to external benchmarks, has achieved a favorable level of internal efficiencies. UC is undertaking implementation of a strategic plan (UC2019) with an eye on continuing institutional restructuring to position itself as a preeminent national public research university. It has done so in response to a two-decade long slide in the level of state support relative to its growing size, operations, mission, and aspirations.

The one oft-cited model nationally of deregulation, autonomy, and institutional restructuring (D.A.I.R.) that advanced to implementation stage is the Virginia plan. The committee, thus, examined the material from Virginia extensively. The analysis of the restructuring efforts of the Virginia system leads to the conclusion that UC has implemented changes in many of the areas proposed in the Virginia restructuring plans. These changes have allowed UC to cope with reduced state support relative to operating budget. As such, UC is *already* equivalent, in most regards, with the Level III institutions in Virginia and would easily currently qualify as a "Charter University" in the state of Virginia. With respect to organizational efficiency, UC is in the mainstream of benchmark institutions in the Big East and the elite Association of American Universities (AAU). Based on this external benchmark analysis, it is unclear if there remain sizeable financial benefits UC could gain from greater state deregulation. There does not seem to be a sufficient set of additional regulatory reforms that the Ohio Legislature might consider aside from those taken in other current bills that will release significant cost-savings to off-set reduced state support. Construction reform would bring potentially substantial savings, but currently that is under consideration in a separate bill. There are a number of process-related regulatory reforms that would produce greater efficiency and those could be pursued. These efficiencies gains might not involve major cost saving, but would produce better administrative processes and resource allocation.

For UC, then, the need for "autonomy" has less to do with removal of regulatory restrictions than it does with having the freedom to continue down the distinctive path to excellence that we have set for ourselves. The imposition of one-size-fits-all policies for every state university in Ohio would not help UC to create a distinctive profile that will attract the brightest students and faculty to our campus and achieve preeminence nationally.

If a preeminent enterprise public university is defined by a distinctive, complex mission of very high research capacity and output comparable to national peers while remaining an affordable and accessible public institution, then UC seems primed to receive such support. UC's administrators and faculty, operating collaboratively through mechanisms of shared governance, should seek to position UC for a relationship with the state government that creates a sustainable path to preeminence.

I. External Benchmarking: UC is Ahead of the Curve

Deregulation and Restructuring of Higher Education in Virginia and its Comparison to UC

The Committee examined information about state regulatory reform efforts in Higher Education that are underway across the country. While most are at very preliminary stages what is common among them is an expectation that regulations have created inefficiencies and, thus, higher operating costs. Regulatory reform is, therefore, understood as an effort to create cost savings that can off-set the reduced funding available to higher education, particularly during the current economic downturn. The common linkage is between deregulation providing greater autonomy at the university level and fostering institutional restructuring to capture the opportunity for greater efficiency. The one model of deregulation, autonomy, and institutional restructuring (D.A.I.R.) that advanced to implementation stage and could be evaluated fully (and is most often cited by current efforts) is the Virginia plan. The committee, thus, examined the material from Virginia extensively.

<u>Summary of Virginia Restructuring</u>

What problems converged such that change was needed in Virginia?
The problems with which Virginia institutions and the state had to grapple included: (a) procedural regulation by the state bureaucracy, which institutions perceived as rigid and inflexible; (b) competition for control over tuition-setting authority among institutions, the legislature, and the governor; (c) erratic cycles of state appropriation to higher education; (d) ambiguous (or nonexistent) strategic priorities that appeared to vary with each change in political regime; (e) the unequal market positions, management strength, and political clout of Virginia's public colleges and universities, and (f) the incremental independence from state-appropriated operating funds of the University of Virginia's medical, law, and business schools, as well as Virginia Commonwealth University's hospital, which established precedents for a new relationship between universities and the state. (From Leslie & Berdahl, *Restructuring Higher Education in Virginia*) The state set explicit expectations and transparent measures of performance as part of the plan.

State-set Performance Goals

1. Ensure access to higher education, including meeting enrollment demand.
2. Ensure affordability, regardless of income.
3. Provide a broad range of academic programs.
4. Maintain high academic standards.
5. Improve student retention and progress toward timely graduation.
6. Develop uniform articulation agreements with community colleges.
7. Stimulate economic development, and for those institutions seeking further autonomy, assume additional responsibility for economic development in distressed areas.

8. Where appropriate, increase externally funded research and improve technology transfer.
9. Work actively with K-12 to improve student achievement.
10. Prepare a six-year financial plan.
11. Meet financial and administrative management standards.
12. Seek to ensure the safety and security of the Commonwealth's students on college and university campuses.

What Universities "Get" (Got)

1. Financial incentives
    - Interest earnings returned to the university on tuition and fees and other non-general fund educational and general revenues that the institutions had deposited into the state treasury
    - Automatic re-appropriation of unexpended year-end balances
    - A prorated share of the rebate on small credit card purchases (≤$5,000)
    - A rebate on transaction fees paid for sole-source procurements

2. Increased Autonomy(the plan created three tiers of state universities)

    Level I – minimal increases relating primarily to procurement, leases, personnel and capital outlay

    Level II – transition from Level I to Level III that includes increased flexibility related to IT, procurement and capital outlay

    Level III - negotiated management agreement conferring high levels of autonomy on the board of trustees and requires the boards to establish policies in areas of delegated authority, including: capital outlay, leases, information technology, procurement, human resources, finance and accounting.

What didn't change under restructuring in VA?

- All University of Virginia employees remained state employees.
- University of Virginia continues to be bound by the provisions, guidelines and regulations of the State's Grievance Policy for classified staff.
- Employees retain the right to continue to participate in the Virginia Retirement System.
- Employees will continue to participate in the University of Virginia Health Plan as current employees and as retirees under 65 years of age.
- Retirees 65 years of age and older will continue to have the option of participating in the state's Medicare Supplement Plan, and the Retiree Health Care Credit will continue.

Findings

Positive Outcomes

- Approximately $6.9 million savings in capital outlay programs – decreased construction costs by approving and completing projects more quickly (first two years).
- Significant financial incentives in the form of returned interest were generated ($59.2M, $41.7M, $29.7M in FY07, FY08, FY09, respectively). (see, Appendix A Table A-1). In FY07, institutional shares for Virginia Tech and University of Virginia were ~$11 million each. (To be clear on this point, UC does not deposit tuition, fee, or other revenues into the state treasury, so there is no benefit, nor incentive, for us to do so. This is prime example of where UC is "ahead of the curve" relative to the Virginia experience).
- Some stabilization of Tuition/Fee increases. (see, Appendix A Chart A-1).
- Fiscal stewardship relative to budget allocations for Instruction and Administration, among the fifty states, is excellent in Virginia, but this may be driven less by structure (state regulations) and more by university priorities (academic planning)– in FY08, Virginia ranked 6th in % Expenditures (73%) for Instruction and Academic support and 47th in % Expenditures (27%) for Administration. It should be noted that overall Ohio is similar to Virginia state-wide (70-30 split), but UC has room to improve its current 58.3% (Instruction + Academic Support) to 41.7% (All Other Expenses). One should expect such an improvement under the academic prioritization underway in UC2019 and the Academic Master Plan. (see, Charts A-2-3; and Table C-2).
- Faculty salaries did not appear to be negatively affected by restructuring.(see, Chart A-4)

Concerns

- Impact on the quality of a student's education is unknown.
- While tuition/fee increases were stabilized for several years, in 2011 they were significantly impacted by loss of ARRA funds. (see, Chart A-1) What are the long-term implications?
- Affordability has not yet been solved. Each institution has implemented a program to mitigate the impact of future increases in tuition/fees on students. However, implementation of these programs is likely to increase in tuition/fees as a way to generate revenue to pay for financial aid programs.
- No indication as to what "reduced state support" is or would be. Is it less than is appropriated currently, or is restructuring a way to cope with current, historically reduced levels of support?
- New structure is not recognized by some state offices and legislators. The result has been some minor communication issues with some state offices and enactment of legislation to the detriment of higher education because they were based on the previous (pre-restructuring) model.
- Financial incentives have decreased significantly over time ($59.2M in FY07 vs. $29.7M in FY09) and there is evidence that components of these incentives (i.e.,

interest on tuition deposits) has not been returned to the institutions as promised. (see, Table A-1) .

- Impact on the other universities in Virginia is unknown. Also, the three universities in Virginia were elite and nationally recognized already. It is unknown how this would work with more regionally oriented universities.

Virginia Plan Comparison with UC

For more than two decades, state appropriations to UC have not increased proportionally with UC budgetary needs. In fact, as a proportion of its annual budget, state appropriations have decreased precipitously over the past 13 years (see, Chart A-6). As a result, UC has been forced to make adjustments and increase efficiencies. As such, the changes made by UC over the past decade or more, have encompassed much of what the Virginia system sought to gain in restructuring. Some of the more important elements are:

- UC has some inherent flexibility in cost structure of different academic programs (i.e. graduate, undergraduate, professional) that can be leveraged through varying fees and tuition. These fees and tuition dollars must be justified, however, and therefore checks and balances exist to assure that programmatic costs are not unnecessarily excessive.
- UC currently has a level of autonomy related to administration that is similar to what was proposed in the Virginia restructuring. There are still some areas that could provide UC more flexibility and therefore, more efficiency such as in the area of procurement and administrative services. It is important to note that improvements in these areas would not be expected to significantly affect institutional revenues, but would reduce bureaucratic processes and increase administrative efficiencies. Many of these processes could and are being changed internally without adopting a new state regulatory system.
- UC currently is relatively efficient in its use of faculty, staff, and facilities resources compared to benchmark institutions. There remains room for improvement in shrinking the percentage of resources consumed by administration and by debt service, but these changes could be (and are being) made with or without preeminent enterprise university status.
- Comparatively, UC's financial operations are highly transparent, largely because of the recent transition to performance-based budgeting and faculty shared governance roles on key committees.
- UC already has a solid accountability structure in terms of overall institutional performance that is equivalent to language in the Virginia restructuring plan.
- Other internal restructuring has already occurred such as the previously mentioned transition to performance-based budgeting and the semester conversion.
- It should be noted that had the Construction Reform anticipated in the current State legislation been in place during UC's major construction period of the 1990s/2000s significant cost-savings would have likely accrued and the debt burden on the university would have been smaller. Construction reform is being

addressed in separate legislation and thus is not part of the Chancellor's charge for his plan to be released in August.

- As noted, one of the key financial changes in the Virginia plan—transfer of interest payments back to universities—is not an applicable model since UC does not deposit tuition, fee, or other revenues into the state treasury.

The analysis of the restructuring efforts of Virginia system leads to the conclusion that UC has implemented changes in many of the areas proposed in the Virginia restructuring plans. These changes have allowed UC to cope with declining state support relative to its operating budget and mission. As such, we are *already* equivalent, in most regards, with the Level III institutions in Virginia and would easily currently qualify as a "Charter University" in the state of Virginia. It is unclear if there remain sizeable financial benefits the University of Cincinnati could gain from greater state deregulation. Construction reform would bring potentially substantial savings, but currently that is under consideration in a separate bill. There are a number of process-related regulatory reforms that would produce greater efficiency and those could be pursued. These efficiencies gains might not involve major cost saving, but would produce better administrative processes and resource allocation. Additionally, putting in place a protective floor of state funding to take advantage of the streamlining that has already taken place over the past decade could be worth exploring. That restructuring is detailed in the next section.

II. UC History: Restructuring and Reduced Resources

Background

The University of Cincinnati has engaged in restructuring and reinvention of function, program array, internal organization and public space since the 1990s. From the presidency of Joseph Steger through the administrations of Nancy Zimpher and Monica Rimai, to current President Gregory Williams, administrators have acted in response to a changing institutional climate and rapid shifts in community needs and funding streams. Since 2003, three colleges, Evening, University (creations for the 1960s market) and the more recent Ohio College of Applied Sciences (OCAS), have been eliminated, with elements of their programs remade and blended into McMicken College of Arts and Sciences, the College of Engineering and the College of Education, Criminal Justice and Human Services (CECH). The Eden Park OCAS campus was de-accessioned, while UC has expanded into suburban space and markets with UC East in Clermont County. Master plans for the two regional campuses (Raymond Walters College and UC Clermont have been approved in their preliminary phases).

UC's physical renewal extended to a major building program in the 1990s. At one point six massive construction cranes dotted East and West campus as most circa World War II buildings were replaced or significantly upgraded.

Notably, UC pursued this renovation and expansion as state funding began to decline as a percentage of UC's total budget. In 1989 state appropriations were almost 40% of the University's operating budget; by 2003 the state's contribution was 25%, shifting to 20% a year before the recession of 2008. As of this writing in 2011, state funding currently rests at 19%, the lowest percentage in over forty years. In actual dollars, state appropriations have been relatively flat for the past ten years and have not kept pace with inflation (see, Charts A-5 and 6)

Since 1995 UC has continued to expand and to increase enrollment to the current figure of 41,000. The steady increase in students has been paralleled with a steady improvement in average ACT for new admissions (rising from 23.2 to 24.8). First year retention rates stood at 73.3% in 2000 and have risen continuously to 2010's 84.5% rate. These positive trends have been supported through more effective strategic enrollment management and first year experiences. Faculty reports indicate that from 1995 to 2000 42% of general funds went to instruction, whereas in 2009 that figure declined to 35% while enrollment expanded. In that same time the percentage of general funds that went to non-instructional (administration) costs, went from 7.2% to 10%, dropping in 2009 to 8.8%. These are areas that can be improved, primarily through re-prioritization rather than re-structuring per se, although the two can be and likely will be further linked. One of the stated purposes of the academic master planning process is to align resources so that the academic goals identified in the university's strategic plan UC2019 can be achieved. (see, Charts B-1,2,3,4)

Internal Restructuring at the University of Cincinnati

Restructuring in an academic setting usually occurs when the institution believes that realignment of its colleges, programs, departments, and schools will enhance the academic quality of an institution and its financial health. The goal of restructuring is to find a configuration of academic drivers that positions the institution to meet the academic needs of its students and provide opportunities for its faculty. In addition, any restructuring should provide the institution with greater flexibility and agility to adapt and evolve to respond to rapidly changing challenges and opportunities.

The committee acknowledges that there are several models that demonstrate internal restructuring initiatives in academia and in viewing these models we discovered that there is no "one-fits-all" model. We found that each institutional restructuring initiative was motivated by its own internal/external stimuli and thus any restructuring follows a Darwinian path of an institution restructuring based on the change in its own academic and financial environment. With this said, the University of Cincinnati has, or is already in the process of, several major restructuring initiatives that are presently and will, presumably, positively affect the academic and financial health of the university. The following briefly describes the major restructuring initiatives taking place:

- Performance Based Budgeting (PBB): Performance based budgeting is a system that makes individual colleges more accountable for their resources while also

rewarding them for increasing their revenues. PBB replaced a system that relied on the historical allocation of resources that depended largely on the previous year's budget, regardless of college and departmental changes such as increased enrollments and other modifications. The main focus of PBB is that it allows colleges to take charge of their own financial futures. In addition, the intent of PBB is to encourage and give incentives for growth, through entrepreneurial activity and ingenuity. It is debated as to whether PBB presents unintended consequences, such as obstacles to interdisciplinary engagement and for non-profit generating units, such as libraries, but it seems that such obstacles are less inherently structural to PBB and more a reflection of where incentives are placed within the budgetary structure. One likely outcome of the Academic Master Planning process underway currently will be to infuse university priorities into the PBB environment.
To obtain data on instructional activity reports and indirect cost distribution metrics see
http://www.uc.edu/provost/offices/institutional_research/pbb_reports.html.

- Semester Conversion: The ongoing process of semester conversion is an exceptionally large restructuring initiative. Initially, the quarter system was developed to accommodate a very different student population than is present today. With students wanting and needing a wide diversity of learning opportunities with an academic benefit in a cost-effective manner, converting to semesters should fulfill that need. The academic advantage of the conversion process involves increased opportunities for collaborative research, in-depth teaching, and experiential learning. Additional, anticipated, benefits include ease of transfer and job market advantages for our students. While there is an immediate institutional cost to conversion, the future tangible and intangible benefits to semester conversion will/should overcome this cost. Please visit the semester conversion website to obtain more complete information on the process and curricular changes that are occurring http://www.uc.edu/conversion.html.

- UC Forward: While still in its formative stage, this initiative is yet another example of creative institutional restructuring. Emphasis on collaborative learning and applied research is being developed as a potential core component of the university. The idea behind this initiative is that the present-day student needs/requires a multidisciplinary approach to education given the increasing complexity and evolution of today's job market. The ability of the student to graduate with multiple skills coming from a multidisciplinary learning experience will give them the flexibility to adapt in the ever-evolving job-market landscape. To view a more comprehensive description of this initiative, see http://www.uc.edu/provost/about-us/videos/Spring2011-Community-Update-UC-FORWARD/Livewell-Collaborative.html.

- Academic Master Plan (AMP): At the beginning of the 2010-2011 academic year, the provost's office was charged with the development and implementation of a strategic academic master plan operationalizing UC2019. The AMP, once

established, will provide the university academic community with a blue print and pathway for further structural, logistical, programmatic, and curricular changes. The three other on-going institutional initiatives mentioned above (PBB, semester conversion, UC Forward) all will fall under and be aligned through the AMP. At the time of this report, the AMP plan is in its Phase 2 development stage and it is anticipated that the full plan will be vetted via faculty governance in early September. It is anticipated that there will emerge basic principles that will involve restructuring that will lead to sustained institutional prioritization of academic goals. To view the planning process and access documentation on the AMP process, please view the following link http://www.uc.edu/provost/priorities/uc2019-amp.html

Organizational Efficiencies (An Additional External Benchmark measure)

As noted, there has been substantial institutional restructuring underway for the past decade and there is currently an effort to accelerate academic prioritization. The committee, therefore, examined how these changes are translating into organizational efficiency, since again one of the assumptions being discussed is that deregulation would lead to greater efficiency.

Organizational effectiveness can be measured in the following ways:

1) Evaluate the outcomes produced by the organization relative to its mission.

2) Evaluate the quantity and type of resources employed by the organization to produce the outcomes.

Organizational efficiency can be measured by proxy using measures of output or service relative to the resources required. A review of the organizational efficiencies of UC relative to elite AAU and Big East peer institutions shows that UC is presently relatively efficient in its use of faculty, staff, and facilities resources, but as in any institution of this size, it can improve. But relative to external benchmarks, further deregulation is likely to create modest rather than significant gains.

A measure that incorporates the faculty, staff, and facilities used by an institution relative to the number of students served by the institution was developed for this analysis (see Table C-1 for specific definition and calculation used). Higher values indicate more efficient use of resources per student. The findings are shown below. Of the eighteen institutions examined here, UC ranks as the fourth most efficient. (*note: As the value is a ratio, a value of 20 is twice as efficient as a value of 10.)

University of Cincinnati	20.69
Ohio State University	9.48
University of Virginia	3.02
Virginia Tech	25.46

Rutgers University	24.67
Michigan State University	21.40
University of Arizona	20.29
University of Iowa	16.67
University of Missouri	15.73
University of Pittsburgh	12.62
University of Illinois at Urbana-Champaign	11.89
Syracuse University	8.87
Tulane University of Louisiana	7.05
University of California-Berkeley	4.23
University of California - San Diego	4.01
Duke University	1.33
Yale University	0.54
Vanderbilt University	0.05

Summary Assessment

The University of Cincinnati, relative to external benchmarks, has achieved a favorable level of internal efficiencies and is undertaking implementation of a strategic plan (UC2019) with an eye on continuing institutional restructuring to position itself as a preeminent national public research university. It has done so in response to a sliding level of state support relative to its growing size, operations, mission, and aspirations. There exists a truly glass half-full/glass half-empty demarcation, however. The level of state funding has now reached a point at which further declines in support cannot be off-set with further re-structuring without substantial diminution of mission or new alternative revenue streams. However, due to its previous efforts (and current planning) UC is primed to take-off as a preeminent university. The timing of UC's efforts and the charge of the State legislature have created a unique situation to engage with the State of Ohio as the Chancellor examines ways to maximize the State's investment in Higher Education across a diverse set of institutions.

III. The Opportunity for UC and Ohio

In order for the citizens of Ohio to compete in the dynamic world of the 21st century, access to affordable college education is a must. The state must also create a vibrant social and economic base that will attract its citizens to remain in Ohio. Across the state, universities and colleges can contribute to these objectives at different levels with different emphases. Distinctive across this spectrum of educational opportunity is the preeminent research university. Nationally, this type of university represents a critical massing of intellectual capacity, research infrastructure, and a culture driven to innovate. It is the ideal entity in which to create an educated citizenry, ideas and solutions to the

major ethical, socio-economic, and political challenges of the 21st century, and serve as an engine for economic development.

The preeminent *public* research university is even more distinctive for it must combine the scholarly research infrastructure and capacity mentioned above with a public mission of offering citizens an accessible and affordable education. It must also have in place the capacity to retain and graduate a student body of diverse capabilities. Stanford and The Johns Hopkins Universities can serve as elite engines of innovation, but must charge tuitions at levels inaccessible to most of the population.

The citizens of Ohio, however, need access to such engines of creativity and thus the State of Ohio has a strategic imperative to invest in public universities that can provide student success in a setting of research academic excellence comparable to the best universities in the United States.

In testimony and public interviews, Chancellor Petro has spoken of the term "pre-eminent enterprise universities," and he has noted that 'Ohio's greatest opportunity for economic growth is to have flagship universities with highly motivated students and strong research and commercialization sectors.'

Understood in this context, the University of Cincinnati seems primed to meet the level of preeminent enterprise university. To provide this distinctive mission of academic excellence in learning, research discovery, scholarship, and student success in an affordable and accessible manner will require a flexible mix of support generated via research grants, foundation and private donor support, industry partners, and tuition supplemented through state instructional support. The latter in the form of stable state support provides three important elements: reduced uncertainty, return on investment, and maintenance of affordability. Without a stable foundation of state support each of these three elements begins to waver. The State as investor in the preeminent enterprise university translates essentially to designating a relationship between outcome measures associated with peer public research universities nationally and a floor of state support so that external funders (public/private/corporate) and prospective students have confidence that the preeminent public university setting will remain vibrant and affordable. Setting a floor under which state support would not decline then in essence becomes the foundation of what can be classified as a preeminent enterprise university. Retention of that designation by a university would require on-going achievement of academic preeminence. The budgetary mechanism for such a designation already exists in current state practice. All public universities could have their state support calculated as is currently done and if the minimal floor of state support set as a foundation for the preeminent enterprise university is crossed, a supplemental budget would be provided to those universities meeting the preeminent enterprise university criteria out of a budget line established in support of this critical state investment.

One regulatory element that could enhance the capacity of preeminent enterprise universities to remain cutting-edge is greater university autonomy in the development and approval of new programs. The local combination of students, faculty, and external

partnering opportunities may support innovations in programming that should not have to be slowed or held-up through State-level vetting. If preeminent enterprise universities will have to perform to retain their designation they should be granted more local autonomy to use their own shared governance decision-making processes to evaluate the viability of innovations in their pedagogy and instructional-research combinations.

Thus, a preeminent enterprise university would be defined as achieving the distinctive complex mission of very high research capacity and output comparable to national peers while remaining an affordable and accessible public institution. This will require three basic elements:

1. Academic excellence in terms of learning, discovery/research, scholarship and student success;
2. University-level autonomy over program development and approval so as to respond more rapidly and directly to opportunities for innovative teaching and research that will emerge through the creative culture and environment of scholarly research activity;
3. A stable floor of state subsidy, so that strategic entrepreneurial planning can be maximized in pursuit of innovation. Such a stable floor will serve as the foundation for a mix of funding sources that will retain affordability while attaining academic excellence on a national level.

IV. Conclusion

The DAIR committee has found that the University of Cincinnati is in many respects already meeting the goals put forth by proponents of a “charter” or “entrepreneurial” university. Comparative analysis of organizational efficiency shows that UC has achieved the kinds of efficiencies sought in the charter university program in Virginia, and that UC is in the mainstream of benchmark institutions in the Big East and AAU. In addition, the committee notes that Ohio’s regulatory environment is not as restrictive as Virginia’s was at the time their “charter” university program was implemented (with the exception of construction regulations, which are being addressed in legislation separate from the “charter” concept). The committee did not find a clear set of advantages that would accrue to UC as a result of further deregulation by the state. Therefore the tradeoff envisioned in the Virginia restructuring program—savings from deregulation to offset cuts in state support—would not be an effective operating principle for UC.

For UC, then, the need for “autonomy” has less to do with removal of regulatory restrictions than it does with having the freedom to continue down the distinctive path to excellence that we have set for ourselves. The imposition of one-size-fits-all policies for every state university in Ohio would not help UC to create a distinctive profile that will attract the brightest students and faculty to our campus and achieve preeminence nationally.

A higher education restructuring program in Ohio that sought to maximize the creativity and innovation cultures of preeminent enterprise universities should rest on an investment model that would create a foundation of stable state support in return for consistent achievement of academic excellence. Based on our investigation of benchmark data and assessment of UC's current resources, we believe state funding for UC has reached the floor of minimum support to achieve its dual mission of affordable access and academic excellence.

The committee recognizes, however, that state support and regulations are only one piece of the complex mosaic that comprises a great university. UC bears responsibility for its own future, and faculty and administrators must engage in careful planning, through the mechanisms of shared governance, to continue with appropriate internal restructuring. Trimming and re-organizing administrative structures and strategic alignment of programs along with a prioritization of academic outcomes must accelerate if UC's transformation to an elite public university is to be achieved.

The University, in order to credibly implement the Academic Master Plan launched by President Williams and Provost Ono, needs to define itself and its functions in partnership with the state of Ohio in a sustainable form. To continue as a public institution of vibrancy and creativity that promotes learning, discovery, civil and global engagement, and economic development requires a stable investment by the State of Ohio for success to be achieved for the citizens of the state and those we attract to it.

Appendix A – External Benchmarking

Table A-1

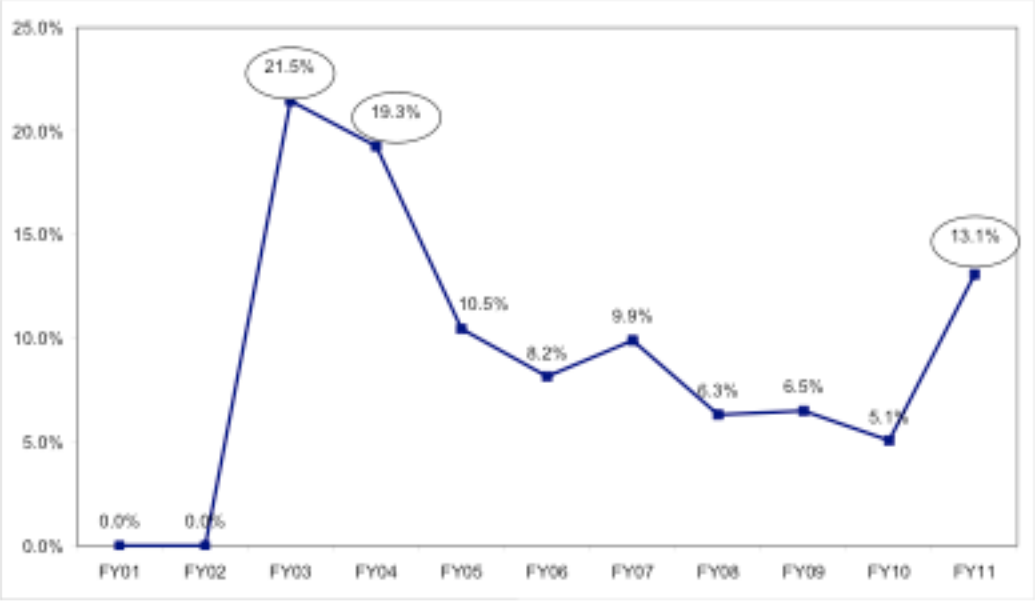
General Fund Financial Benefits of Restructuring Certification
FY2007 through FY 2009

	FY 2007	FY2008	FY2009
Interest	$14,967,402	$15,361,428	$8,097,449
Credit Card	$1,682,600	$1,225,395	$1,103,522
eVA Sole Source Fee	$225,983	$187,569	$320,743
Carry Forward	$42,371,251	$24,905,312	$20,213,148
Total	$59,247,236	$41,679,704	$29,734,862

Source: Presentation by Jim Allessio, Higher Education Restructuring Director, State Council of Higher Education for Virginia on April 23, 2010 on Institutional Performance Standards – http://www.schev.edu/Restructuring/VAMAP -2004-23-10b.pps

Chart A-1

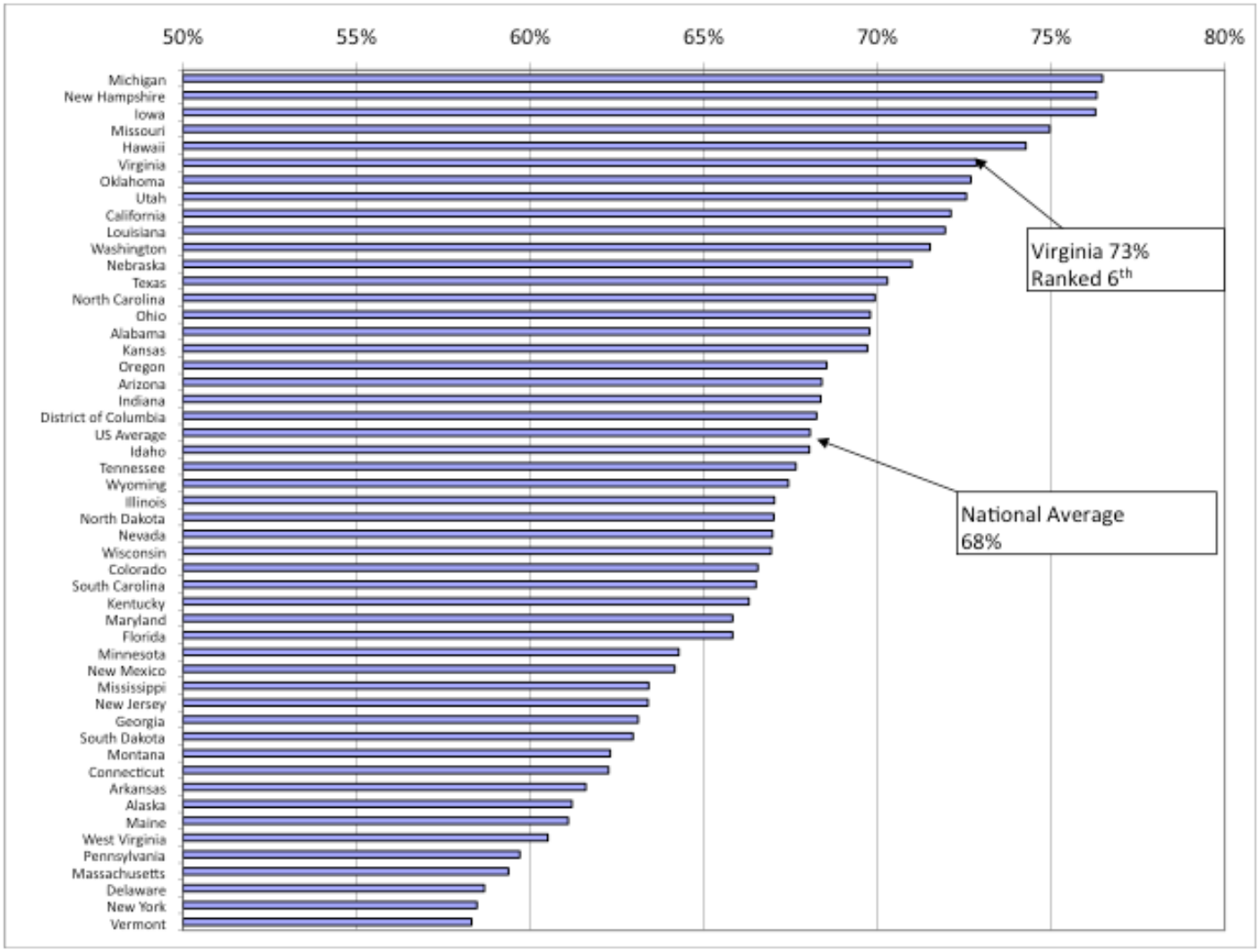
Average Annual Increases
Tuition and E&G Fees for In-State Undergraduate Students 2000-2011



Source: 2010-11 Tuition and Fees at Virginia's State-supported colleges and universities. A report by the State Council of Higher Education for Virginia, July 2010 – http://www.schev.edu/Reportstats/2010-11TuitionAndFeesReport.pdf

Chart A-2

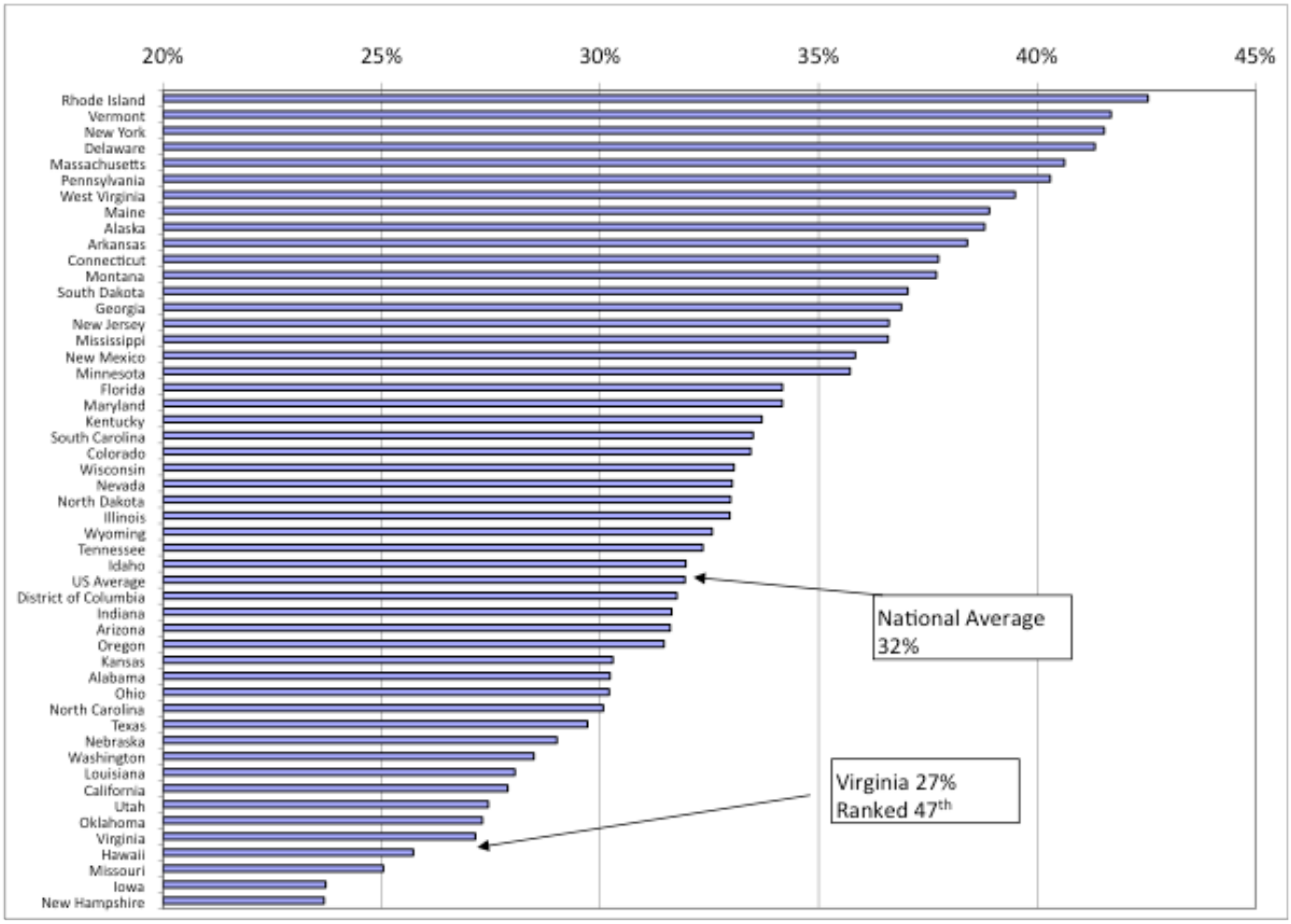
Percentage of Expenditure for Instruction & Academic Support
Public Four-Year Institutions, 2007-08



Source: Presentation by Jim Allessio, Higher Education Restructuring Director, State Council of Higher Education for Virginia on April 23, 2010 on Institutional Performance Standards – http://www.schev.edu/Restructuring/VAMAP%20-%32004-23-10b.pps

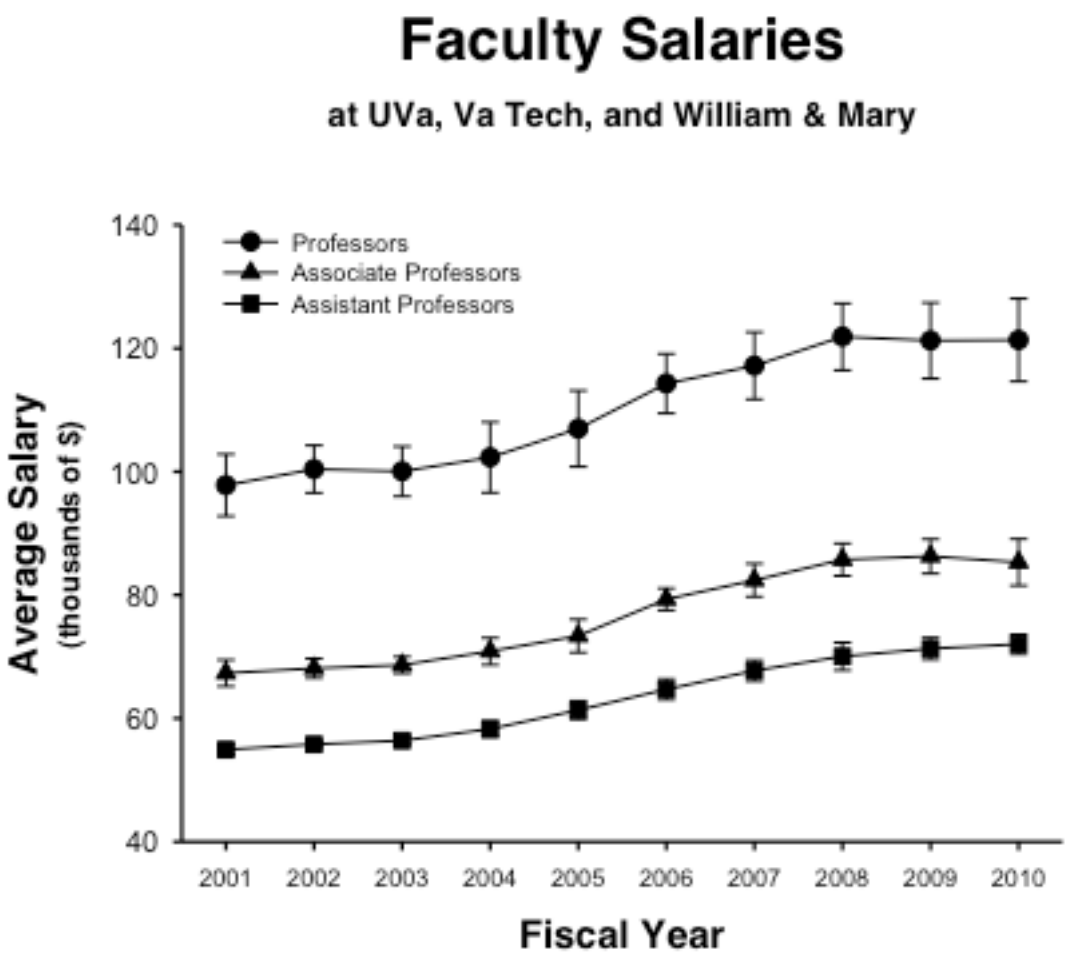
Chart A-3

Percentage of Expenditures for Administration Public Four-Year Institutions, 2007-08



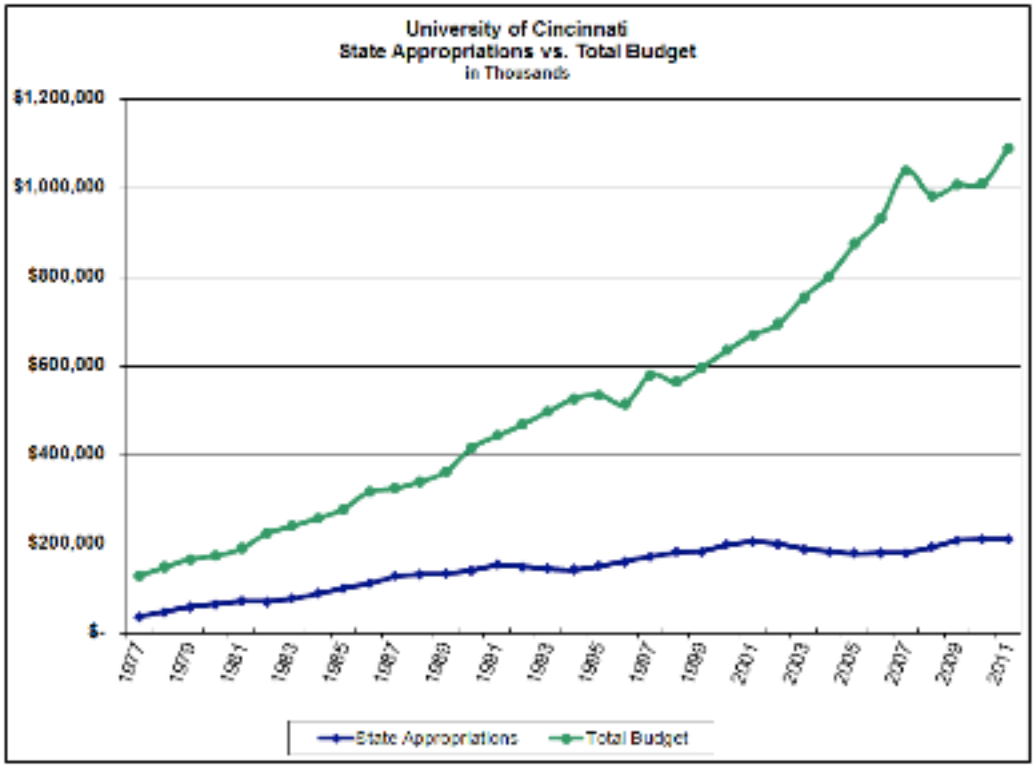
Source: Presentation by Jim Allessio, Higher Education Restructuring Director, State Council of Higher Education for Virginia on April 23, 2010 on Institutional Performance Standards – http://www.schev.edu/Restructuring/VAMAP%20-%32004-23-10b.pps

Chart A-4



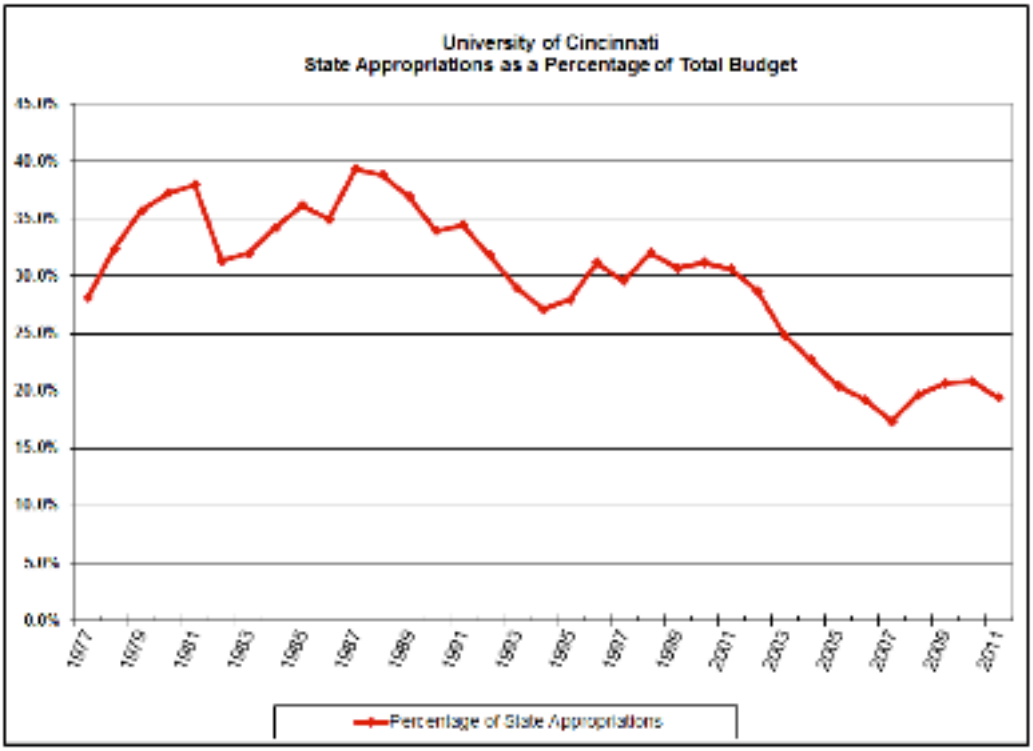
Source: AAUP Faculty Salary Survey, Virginia, 2000-2010. - http://chronicle.com/stats/aaup/

Chart A-5



Source: University of Cincinnati

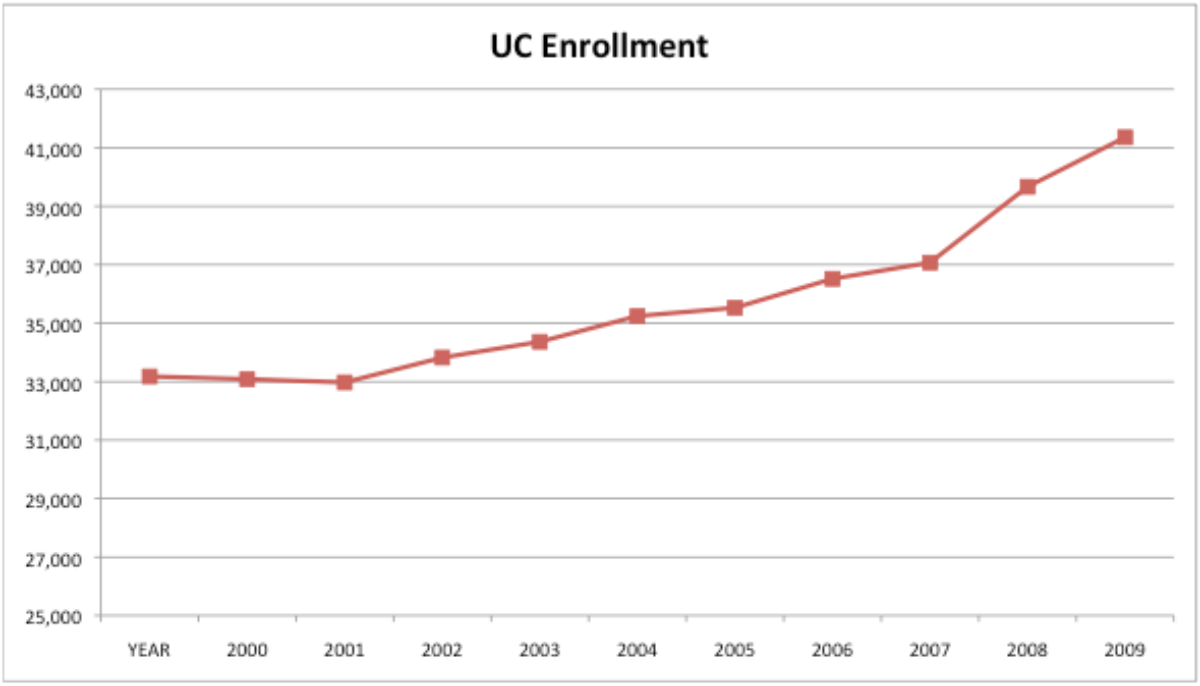
Chart A-6



Source: University of Cincinnati

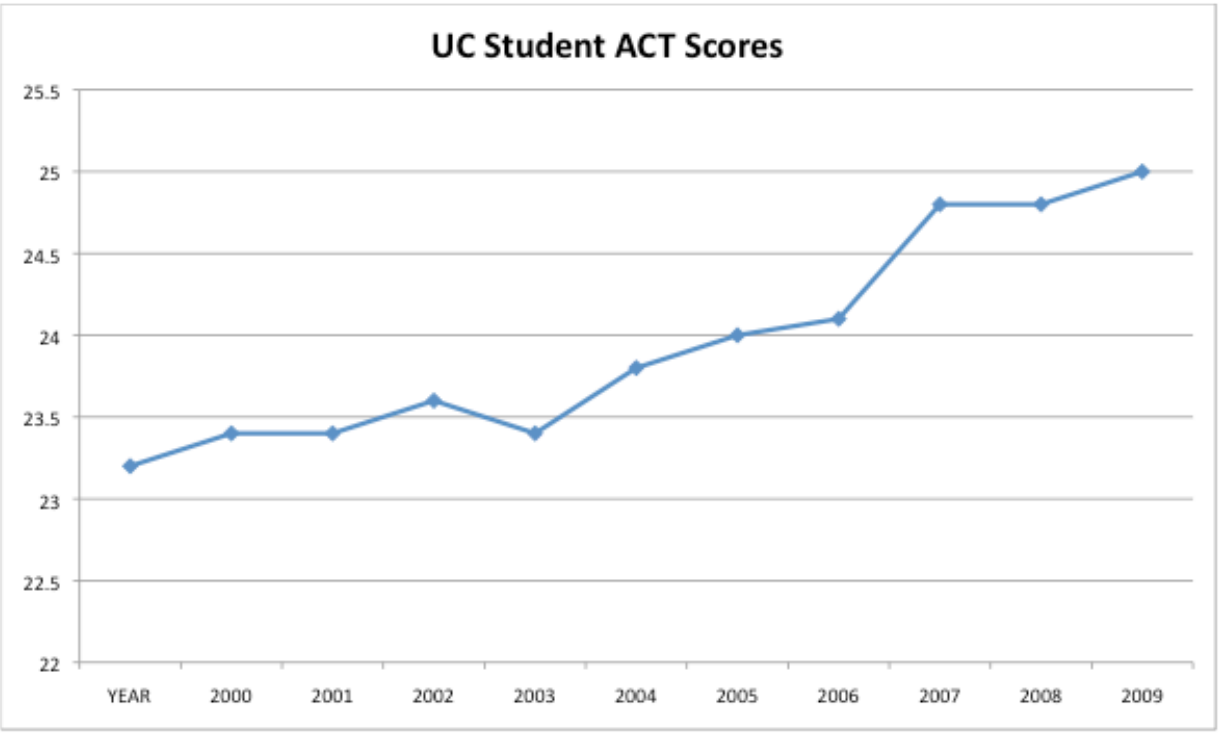
Appendix B – UC History

Chart B-1



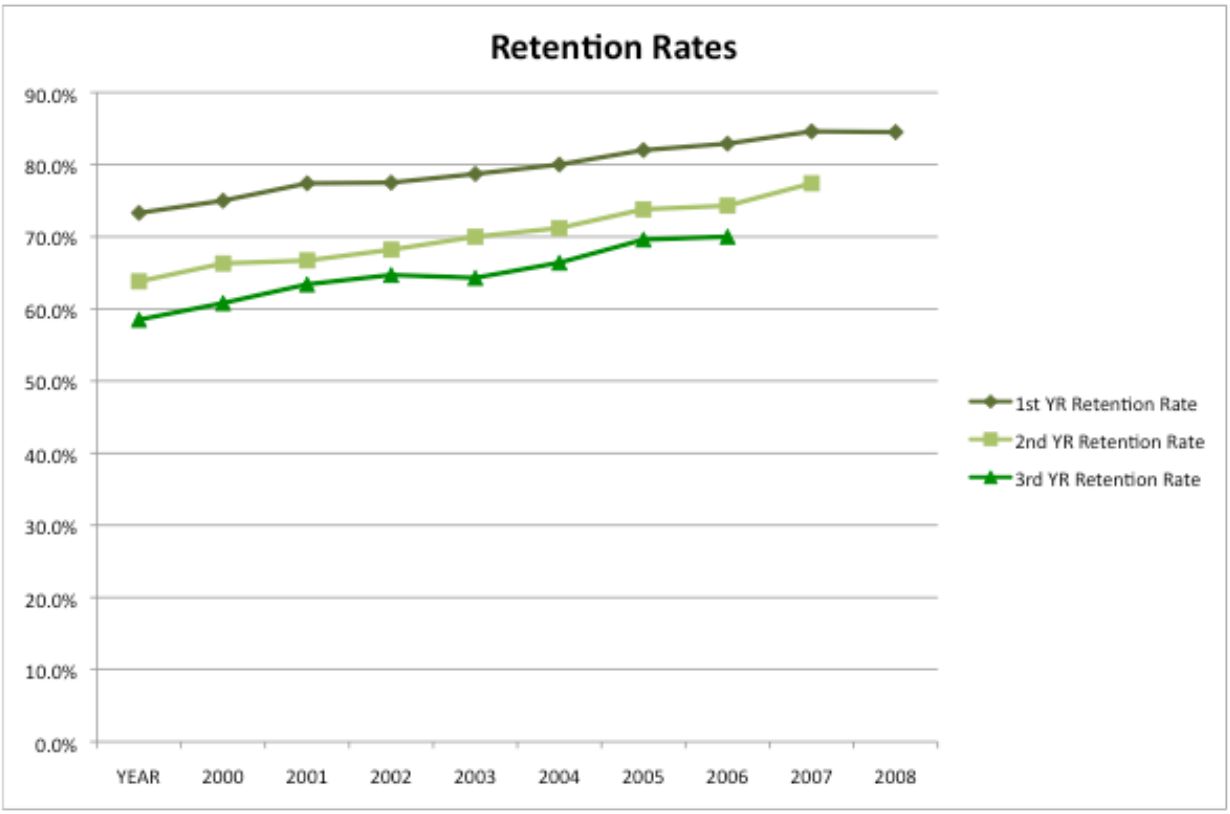
Source: figures provided by University of Cincinnati, Office of Enrollment Management

Chart B-2



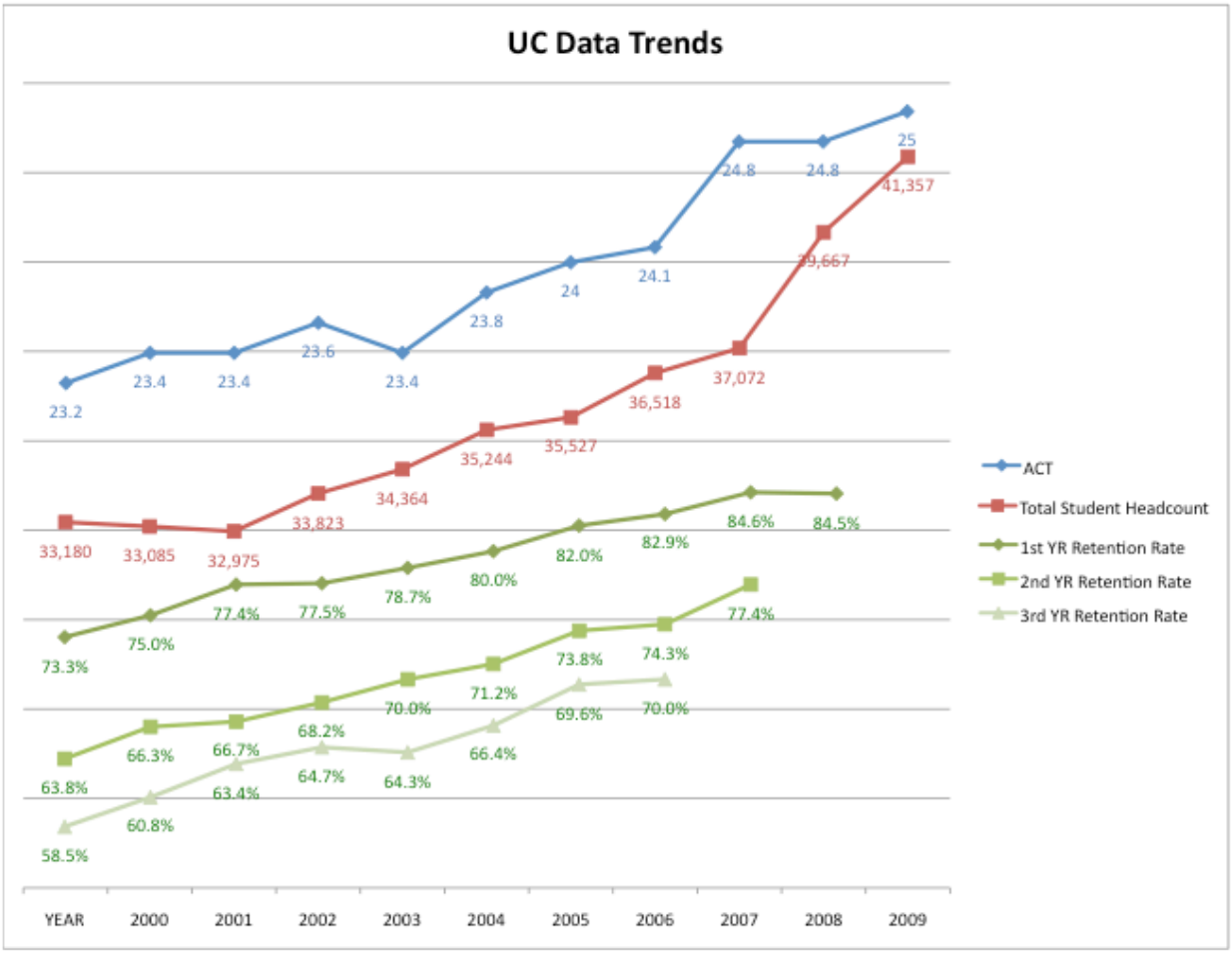
Source: figures provided by University of Cincinnati, Office of Enrollment Management

Chart B-3



Source: figures provided by University of Cincinnati, Office of Enrollment Management

Chart B-4



Source: figures provided by University of Cincinnati, Office of Enrollment Management

Appendix C
Table C-1

Institutional Effectiveness
Resources Realtive to Undergraduate Enrollment

Institution	Number of Undergraduates	Number of FT Faculty	Number of FTE Staff	Gross Square Footage	Operating Budget	Student/Faculty Ratio	Student/Staff Ratio	GSF/Student Ratio	Budget/Student Ratio	Efficiency Rating
University of Cincinnati	31,523	2,706	7,283	13,453,824	1,088,810,000	11.6	4.3	4.3	3.5	20.69
Ohio State University	49,769	6,020	11,323	21,980,327	4,450,000,000	8.3	4.4	4.4	8.9	9.48
University of Virginia	14,297	2,171	10,230	15,344,000	2,250,000,000	6.6	1.4	10.7	15.7	3.02
Virginia Tech	23,637	1,364	5,740	8,900,000	1,101,205,000	17.3	4.1	3.8	4.7	25.46
AAU Institutions										
Rutgers University	42,300	4,150	6,500	16,969,062	1,166,362,000	10.2	6.5	4.0	2.8	24.67
Michigan State University	36,058	2,937	4,924	22,845,137	1,018,400,000	12.3	7.3	6.3	2.8	21.40
University of Arizona	30,346	2,400	7,963	9,102,831	1,550,523,200	12.6	3.8	3.0	5.1	20.29
University of Iowa	31,200	1,700	6,745	16,884,637	2,613,389,876	18.4	4.6	5.4	8.4	16.67
University of Missouri	24,901	2,039	6,531	15,000,000	1,037,581,958	12.2	3.8	6.0	4.2	15.73
University of Pittsburgh	31,070	3,955	6,464	12,133,283	1,904,396,000	7.9	4.8	3.9	6.1	12.62
University of Illinois at Urbana-Champaign	31,540	2,629	8,576	20,113,569	2,146,685,370	12.0	3.7	6.4	6.8	11.89
Syracuse University	13,755	1,540	3,649	4,870,000	1,483,262,000	8.9	3.8	3.5	10.8	8.87
Tulane University of Louisiana	7,803	1,100	2,900	5,031,064	580,000,000	7.1	2.7	6.4	7.4	7.05
University of California-Berkeley	25,540	8,986	9,153	15,986,234	1,800,000,000	2.8	2.8	6.3	7.0	4.23
University of California - San Diego	22,889	7,948	8,332	10,105,432	2,204,079,000	2.9	2.7	4.4	9.6	4.01
Duke University	6,578	1,164	8,087	14,000,000	1,800,000,000	5.7	0.8	21.3	27.4	1.33
Emory University	7,140	2,868	5,862	15,910,002	1,500,000,000	2.5	1.2	22.3	21.0	0.86
Yale University	5,275	1,672	9,085	11,625,600	2,492,063,000	3.2	0.6	22.0	47.2	0.54
Vanderbilt University	1,600	1,431	3,822	13,136,226	3,263,000,000	1.1	0.4	82.1	203.9	0.05

The Institutional Effectiveness scale measures the input resources used to maintain the undergraduate student population. The input resources consist of: FT Faculty, FTE Staff, Space (Gross Square Footage), and Operating Budget in dollars.

The institutional effectiveness measure was developed by Prof. Jeffrey Bauer for this report and is calculated by dividing the number of undergraduate students by the FT Faculty and FTE Staff. Those two ratios are then added together to form the numerator of the measure. The Gross Square Footage is divided by the number of students and then divided by 100 to normalize the resulting value relative to the Students/FT Faculty and Students/FTE Staff ratios. The Operating Budget is divided by the number of students and then divided by 10,000, again to normalize the resulting value. The Gross Square Footage/Student ratio and Operating Budget/Student ratios are then added together to provide the denominator. The Faculty & Staff/Students ratio is then divided by the Gross Square Footage/Operating Budget ratio and multiplied by 10 to provide the final Institutional Effectiveness measure. The measure will compare each institutions use of the input resources relative to the undergraduate student population that they support. The higher the value the more efficient the use of resources. As the value is a ratio, a value of 20 is twice as efficient as a value of 10.

Table C-2

University of Cincinnati
Common-Sized Expense Statement
FY 1995, 2000, 2006, and 2011

Expense Category:	FY 1994 - 1995	FY 1999 - 2000	FY 2005 - 2006	FY 2010 - 2011	Goal
Instructional & General	42.9%	42.0%	51.0%	47.6%	
Instructional & General + S & F	53.6%	49.6%			
Separately Budgeted Research	1.6%	2.1%	0.8%	2.0%	
Public Services	8.2%	8.3%	0.4%	0.2%	
Academic Support	10.9%	11.1%	12.2%	10.8%	
Student Services	5.4%	4.8%	4.6%	4.5%	
Institutional Support	7.4%	8.9%	11.7%	9.7%	
Operation and Maintenance of Plant	9.7%	8.4%	10.7%	10.4%	
Budget Cut Reserve	0.0%	0.0%	0.0%	-4.2%	
Stimulus Funding Reserve	0.0%	0.0%	0.0%	3.6%	
PBB Reserve	0.0%	0.0%	0.0%	0.4%	
Scholarships and Fellowships	10.7%	7.6%			
		-0.9%			
Loan Fund Matching	0.1%	0.0%	0.0%	0.0%	
Debt Service	3.2%	6.4%	3.3%	5.5%	
Subsidies to Non-Instructional Units	0.0%	0.0%	2.7%	3.5%	
Plant Funds	0.0%	0.0%	0.0%	0.1%	
Designated	0.0%	0.0%	0.0%	5.2%	
Claims on Operations Repayment	0.0%	0.0%	0.0%	0.9%	
Other	0.0%	1.3%	2.5%	0.0%	
Total Expenses	100.0%	100.0%	100.0%	100.0%	

Table C-3

Data Section:								
Expense Category:	FY 1994 - 1995	FY 1999 - 2000	FY 2005 - 2006	FY 2010 - 2011				
Instructional & General	148,938	182,707	193,203	227,172	78,234	52.5% Increase FY 95 to FY 11		
Separately Budgeted Research	5,692	9,210	3,117	9,379				
Public Services	28,483	36,009	1,441	886				
Academic Support	37,731	48,256	46,281	51,485				
Student Services	18,673	20,938	17,408	21,428				
Institutional Support	25,532	38,759	44,406	46,339	20,807	81.5% Increase FY 95 to FY 11		
Operation and Maintenance of Plant	33,543	36,377	40,656	49,560				
Budget Cut Reserve	0	0	0	-19,857				
Stimulus Funding Reserve	0	0	0	17,176				
PBB Reserve	0	0	0	2,000				
Scholarships and Fellowships	37,205	33,181	0	0				
		-4,034						
Loan Fund Matching	264	145	0	0		Debt Service Delta =	15,007	15,007,000
Debt Service	11,075	28,009	12,562	26,082				
Subsidies to Non-Instructional Units	0	0	10,171	16,823		Institutional Support @ 9.7%		
Plant Funds	0	0	0	250		46,339		
Designated	0	0	0	24,890		Delta	10988	10,988,238
Claims on Operations Repayment	0	0	0	4,100				
Other	0	5,527	9,582	0		Institutional Support @ 7.4%		
Calculated Total	347,136	435,084	378,827	477,713	477,713	35351		
Check Figure on Cost Total	347,136	496,326	378,827	477,712				
		61,242						