

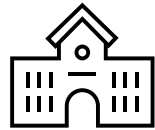


UW-Milwaukee Review

The Case for Change: Strategic Choices Needed to Define the Future

The current state review of UWM's financial health, enrollment trends, and operations points to a decline in net assets that requires strategic choices and investment to meaningfully change the institution's financial trajectory and support its long-term sustainability.

UW-Milwaukee has a unique tripartite mission focused on access, research, and community service and engagement

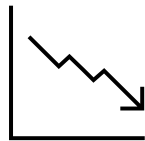


UW-Milwaukee plays a critical role as an **access institution** in Wisconsin's most diverse and largest city. It leverages its **strategic location** through thriving relationships with the business and not-for-profit communities and has earned the Carnegie **community engagement classification**. UWM is also a **research institution** with R1 status, providing a unique entry point and pathway to research-enhanced education for Pell-eligible students.

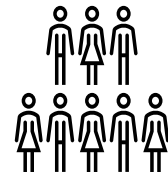


With an **academic portfolio well-aligned to the regional workforce, a strong location, robust portfolio of graduate and online programs, and DI athletic programs**, UW-Milwaukee has the foundational assets to shift its fiscal trajectory.

...but challenges including declining UG enrollment, persistent lower retention, and financial instability threaten its future;



Declining UG enrollment FTE (-29% from Fall 2011-2023), and a shrinking pool of HS graduates **threaten UW-Milwaukee's student base**. Graduate enrollment has been relatively stable over this same period.

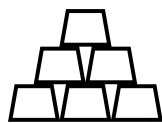


Retention challenges persist that are eroding the student population. UWM recorded 3 years above 75% (Fall '18 - '20) for FTFT¹ freshmen, in line with system averages; however, **Fall '21 and '22 declined to ~72%**, departing from system averages.

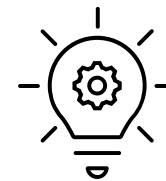


Reductions in revenue due to enrollment declines and stagnant tuition, along with rising costs across salaries, services and utilities, are putting **pressure on UWM to make difficult choices around strategic investments to preserve acceptable levels of reserves**.

thus, UWM needs to make strategic choices and continue to achieve greater efficiencies through intentional fund allocations



UW-Milwaukee has **reduced overall FTEs by 15% over the past 10 years** while adding two branch campuses, including reductions in faculty through attrition. UWM has also transformed business operations such as finance and HR, and recently consolidated its academic colleges. Continued financial pressures on the institution may require exploration of additional operational efficiencies while improving service delivery.



Inflation, declining enrollment, expiring federal COVID-19 aid, and constrained state appropriations have all impacted UWM finances and prompted the need for strategic choices around investments to maintain acceptable fund balances. UWM may benefit from expanding accountability within the academic enterprise, and examining its academic portfolio, teaching and research workloads, and budget practices.

1. FTFT stands for first time full-time.

The Path Forward Should Leverage Strengths and Address Challenges

The current external environment, coupled with internal operating model pain points, make overcoming ongoing operating challenges difficult; similarly, top line pressure and limited expendable balances make investing in growth difficult.

The Path Forward Should Leverage Strengths...

...and Seek to Address Existing External and Internal Challenges



Strategic Expense Management

UWM leaders have made iterative changes in their administrative/faculty staffing levels to address declining enrollments while also making investments for long-term success.



Mission-Aligned Employees and Leadership

UWM's employees are committed to serving the institution and living out its unique tripartite mission to provide access to higher education, research, and public service in the economic engine of Wisconsin that is the city of Milwaukee. They are led by a healthy combination of long-term and new leadership.



Strong Academic Portfolio and Leaders

UWM has a robust program array that includes nursing, business, education, engineering, a new data science grad program, as well as the nation's only school dedicated to freshwater and climate sciences. UWM ranked No. 20 nationwide in online education for its online bachelor's program.⁽¹⁾



R1 Research Institute Fueling Community

UWM earned its status as an R1 university in 2016 and its research focus has helped drive innovation, progress, and partnerships in the region (e.g., CSI, LEC, NMDSI, Freshwater Collaborative), and has given students, faculty, staff, and the local community opportunities to innovate together while producing nearly 200 doctoral graduates per year.

Declining UG Enrollment

- Since Fall 2011, UWM main campus UG FTE enrollment has declined 28.8% from 21,099 to 15,027 as of Fall 2023 (2.8% per year on average).
- Over this same time, UWM branch campuses declined by a combined 1,685 student FTEs resulting in the decision to close both branch campuses.

Limited State Appropriations

- Per the State Higher Education Executive Officers Association (SHEEO), WI ranks 43rd in four-year state education appropriations per student.²
- Regulatory complexity and economic uncertainty add further risk to UWM's long-term outlook as the institution has become increasingly dependent on State Appropriations.

Research Weighs on Teaching Costs

- While research is critical to UWM's mission, maintaining most faculty at a 2-2 teaching load is expensive compared to higher loads at UW peers. Limited funds have prevented investment in new and existing research talent.

Persistent Low Retention Trends

- Prior to and since Fall '20, UWM's retention rate for FTFT freshmen departed from UW averages and declined from a peak of 75.6% to 71.8% in Fall '21.
- Retention challenges are magnified in the URM population, which declined from a rate of 74.8% in Fall '20 to 64.4.% in Fall '23.

Segmented Operations

- While recent innovations in business operations have improved efficiency in several areas, multiple stakeholders said that operations at UWM remain segmented in other functional areas, including student success and support, as well as between undergrad and graduate enrollment management.

Academic Accountability

- Given external pressures, a priority for UWM may need to be enhancing efficiencies within academic operations, including more comprehensively addressing retention, low-enrolled programs, workload, and ongoing subvention of academic programs through budget model advancements.

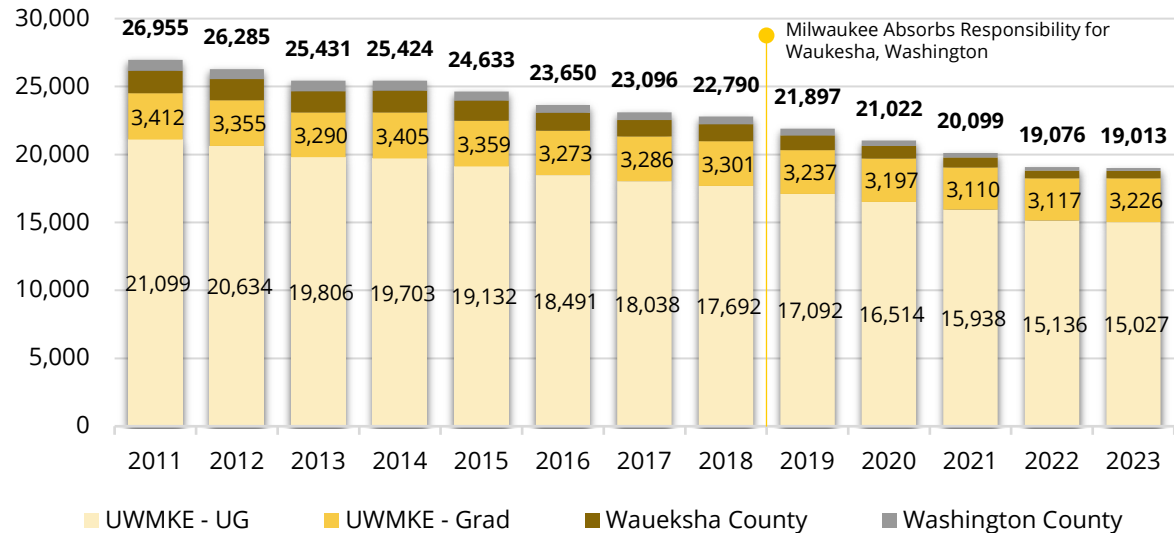
External Market Pressures

Internal Operating Model Challenges

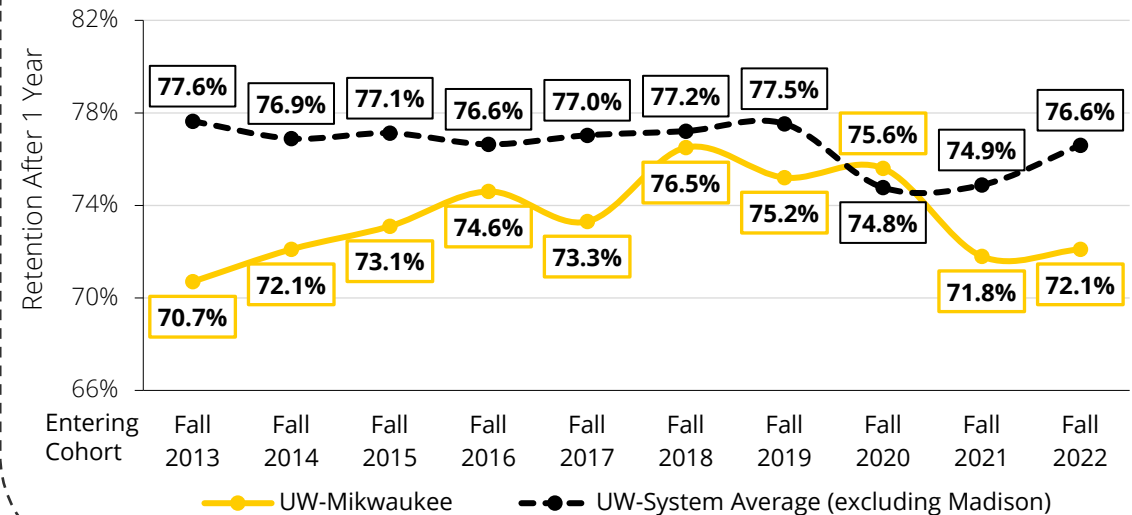
Enrollment and Retention Declines Have Resulted in Top Line Pressure

Since Fall 2011, enrollment has consistently declined, as total enrollment (including branch campuses) has dropped by over 7,900 student FTEs, or by an average of 2.9% per year, creating compound pressure on tuition revenues, with the long-term tuition rate freeze.

UW-Milwaukee Fall FTE Enrollments



1-Year Retention for First-Time Full-Time Freshmen



Milwaukee enrollment is below historical levels...

- UW-Milwaukee's main campus enrollment mix has slightly shifted since Fall 2011 as UG enrollment now makes up 82% of the student population compared to 86% in Fall 2011.
- **Main campus enrollment has steadily declined since the Fall 2011 peak of more than 24,500 FTEs. During this period, UG enrollment at UWM declined 2.8% per year on average while Graduate enrollment has remained relatively stable.**
- In Fall 2011, Waukesha and Washington had 1,651 and 794 Student FTEs, respectively. From Fall 2011 to Fall 2023, Waukesha fell to 545 Student FTEs, and Washington to 215 Student FTEs which has led to the announced closing of both branch campuses.

...while retention lags UW averages

- Over the period shown, retention rates at UWM have consistently trailed UW system retention rates by an average of 3.1%.
- Although UWM's retention rate reached a peak for the Fall 2018 entering cohort of 76.5%, retention subsequently fell nearly 5 percentage points while across the UW system, averages dipped and quickly rebounded.
- UWM remains about 4.4% below historic highs and the most recent UW system average of 76.6%. A particular challenge for UWM is the retention of URM students with rates for these students having declined to just above 64% in the latest year.

UWM Has Strong Workforce Alignment, but Large Programs are in Decline

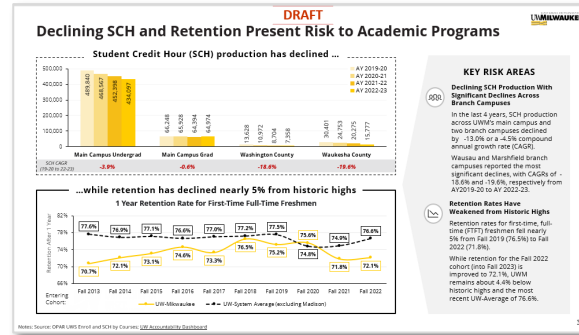
Program and Workforce Alignment

Milwaukee's academic portfolio demonstrates strong alignment to labor market demands...

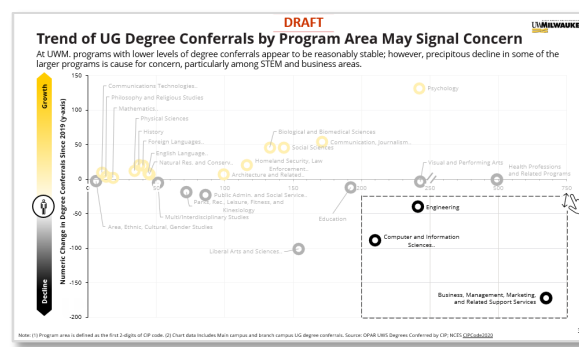
Occupational Group / Title	Annual Openings	MKE UG Degrees
Business and Financial Operations	5,714	
Management Analysts	1,780	✔
Market Research Analysts & Marketing	1,693	✔
Human Resources Specialists	1,655	
Logisticians	586	✔
Management	4,975	
General & Operations Managers	2,608	✔
Financial Managers	680	✔
Medical & Health Services Managers	616	✔
Construction Managers	553	✔
Industrial Production Managers	518	✔
Computer and Mathematical	3,490	
Software Dev., Software QA Analysts [...]	2,961	✔
Web Developers & Digital Interface Designers	529	✔
Architecture and Engineering	2,213	
Industrial Engineers	946	✔
Mechanical Engineers	774	✔
Civil Engineers	493	✔
Community and Social Service	1,616	
Substance, Behavioral, & Mental Health [...]	765	✔
Child, Family, & School Social Workers	447	✔
Healthcare Social Workers	404	✔
Healthcare Practitioners and Technical	1,107	
Clinical Laboratory Technologists & [...]	603	✔
Nurse Practitioners	504	✔
Sales and Related	439	
Sales Reps, Wholesale & Manufacturing	439	✔

Degree Conferrals and Credit Hour Production

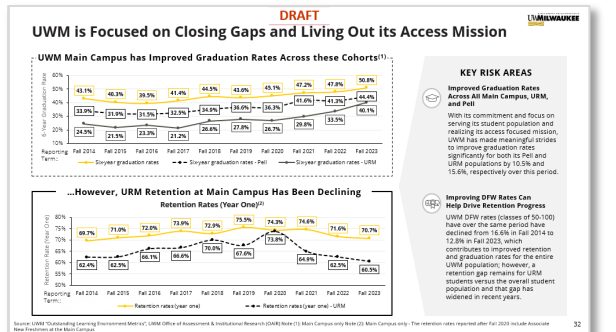
...but trends in degree conferrals and SCH may signal an opportunity to strengthen key components of the undergraduate academic portfolio



Although retention has declined, and remains a challenge, UWM has steadily increased six-year graduation rates for its students including for Pell recipients and URM students.



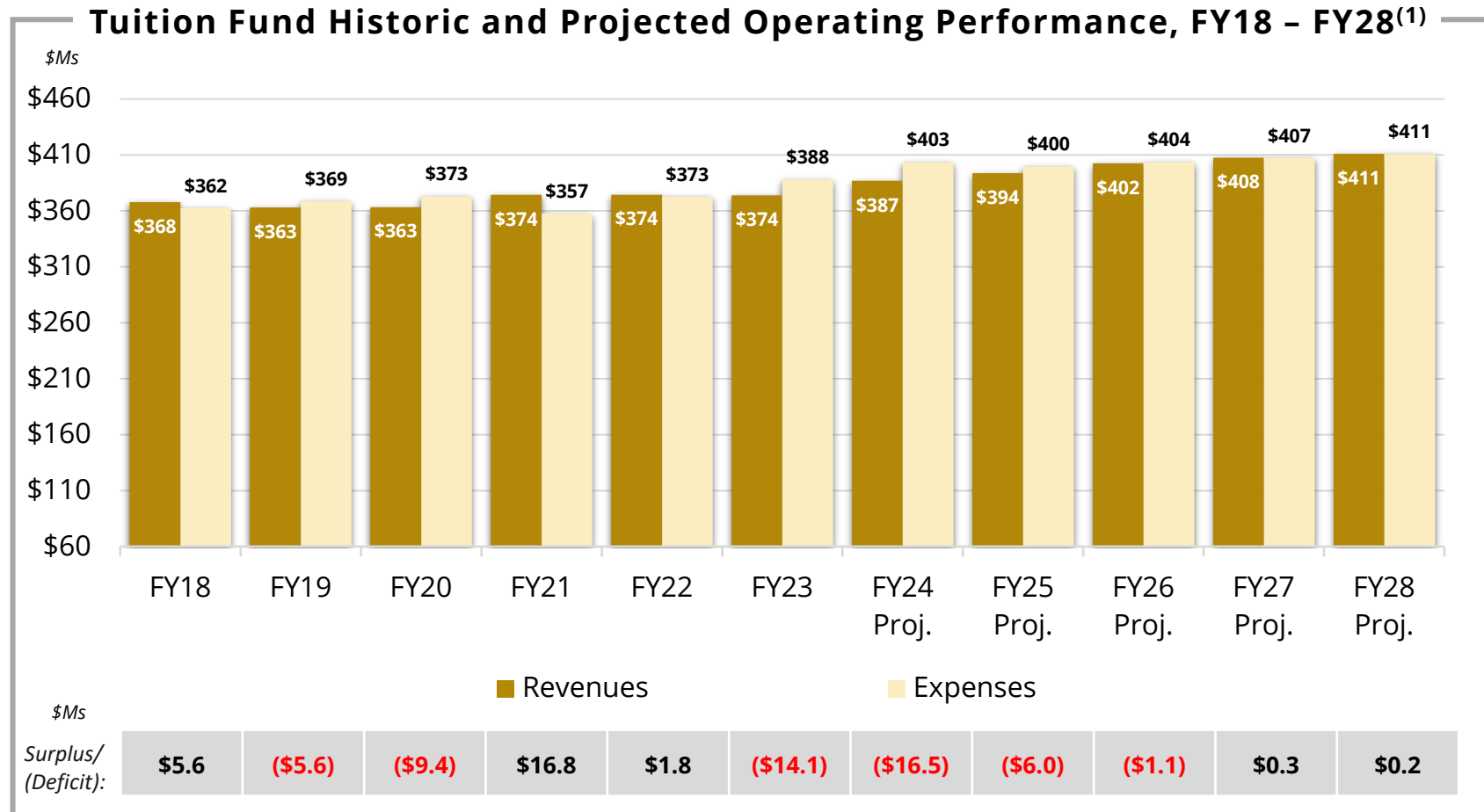
Undergraduate student credit hour production at UWM over the last four years fell at an average annual rate of 3.9% while SCH production for the branch campuses was cut approximately in half.



UWM's programs are very closely aligned to the workforce; however, large flagship programs like Engineering, Business, and Computer Science have seen declines in degree conferrals over the past four years.

“Status Quo” Baseline Financial Forecast Results

The “Status Quo” forecast, which assumes current trends continue and UW-Milwaukee does not make any changes to existing operations, illustrates the ‘Case for Change’ and emphasizes the importance of prioritizing and executing on opportunities.



KEY DRIVERS



Enrollment

Enrollment is forecasted to slightly grow over the projection period given the Fall 2023 new freshmen FTEs at main campus increased to 3,087, up from 2,710 in Fall 2020, as well as the recent investments in student success and retention, which can help to offset broader demographic and industry pressures statewide and nationally.



Expenses

Expenses increased in recent years, as well as in FY24, as UWM intentionally spent down existing cash balances on strategic student success, research, and infrastructure investments. The short-term nature of this spend accounts for the initial decline in expenses, but eliminating the investment may put UWM at risk of not realizing the potential positive impact of these investments and the associated benefits over time.

UWM has planning underway to eliminate its structural deficit by FY26. However, given past, present and future pressures, UWM is at a critical moment in its history and must continue to undertake decisive and strategic decision-making to chart a course to long-term fiscal stability.

“Status Quo” Baseline Tuition Fund Balance Forecast

UW-Milwaukee’s forecasted changes in net assets are projected to have a negative financial impact on the university’s tuition fund equity balance, deteriorating the balance by \$23.1M through FYE 2028, reinforcing the ‘Case for Change’ at the institution.

Projected Financial Impact on Tuition Fund Equity Balance

UW-Milwaukee Tuition Fund Equity Balance Baseline Projections						
UW-Milwaukee (\$Ms)	FY End 2023 Actual	FYE24 Proj.	FYE25 Proj.	FYE26 Proj.	FYE27 Proj.	FYE28 Proj.
Beginning Tuition Fund Equity Balance	\$47.8	\$33.7	\$17.2	\$11.2	\$10.1	\$10.4
Change in Net Assets	(\$14.1)	(\$16.5)	(\$6.0)	(\$1.1)	\$0.3	\$0.2
Ending Fund Equity Balance	\$33.7	\$17.2	\$11.2	\$10.1	\$10.4	\$10.6
Cumulative Impact on Fund Balance	---	(\$16.5)	(\$22.5)	(\$23.6)	(\$23.3)	(\$23.1)

TAKEAWAYS



Current Fund Equity Balance

A sustained structural deficit was buoyed by COVID-19 aid in recent years; however, a rise in expenses and spend down of balances is projected to deplete the equity in the tuition fund to \$17.2M at FYE24, its lowest level in recent history.



Existing Investment Needs Drive Decline

UWM’s strategic spending of balances has depleted existing reserves. Prioritizing and monitoring the ROI of these choices will be critical to ensuring long-term financial stability.



Liquidity Reduction

Given the existing challenges and the erosion of reserves, UWM has less available liquidity and therefore must continue to be strategic with the management of its operating portfolio.

UW-Milwaukee will need to continue to strategically manage fund balances over time to enable the institution to adequately balance its investments with the constraints of its operating environment to effectively execute on its tripartite mission.

Highlights from Deloitte's Current State Assessment of UWM

“*With an academic portfolio well-aligned to the regional workforce*, a strong location, robust portfolio of graduate and online programs, and DI athletic programs, *UW-Milwaukee has the foundational assets to shift its fiscal trajectory.*”

“*UWM has planning underway to eliminate its structural deficit* by FY 26. However, given past, present and future pressures, UWM is at a critical moment in its history and *must continue to undertake decisive and strategic decision-making* to chart a course to long-term fiscal stability.”

“UW-Milwaukee will need to *continue to strategically manage fund balances* over time to enable the institution *to adequately balance its investments with the constraints of its operating environment* to effectively execute on its tripartite mission.”

UWM's Updated Financial Status

- UWM has reduced its planned use (decline) of balances in FY 2024 from \$23M budgeted to about \$15M projected
 - At end of FY 2024, unrestricted balances will be about \$110M which is 21% of FY24 projected expenses
 - Tuition balances will be about \$29M or 8.0% of FY24 projected expenses and will stabilize at this level or grow modestly
- UWM has submitted a nearly balanced (-0.1%) operating budget for FY 2025
 - Auxiliary units plan on using \$3M in in balances in FY 2025, mitigating fee increases
 - All other unrestricted funds in aggregate, including the tuition fund, are projected to have a small surplus in FY 2025

UWM's Current Multiyear Financial Plan

	FY 2024 (Q3 Forecast)	FY 2025 (Projected)	FY 2026 (Projected)	FY 2027 (Projected)	FY 2028 (Projected)
Beginning Unrestricted Balances	\$125.5M	\$110.1M	\$107.7M	\$109.3M	\$111.4M
Revenues	\$508.0M	\$523.1M	\$529.9M	\$542.7M	\$554.2M
Expenses	\$523.4M	\$525.5M	\$528.3M	\$540.6M	\$552.4M
Net Surplus/Deficit	-\$15.4M	-\$2.4M	\$1.6M	\$2.0M	\$1.8M
Operating Margin (%)	-3.0%	-0.4%	0.3%	0.4%	0.3%
Ending PR Balances	\$110.1M	\$107.7M	\$109.3M	\$111.4M	\$113.2M

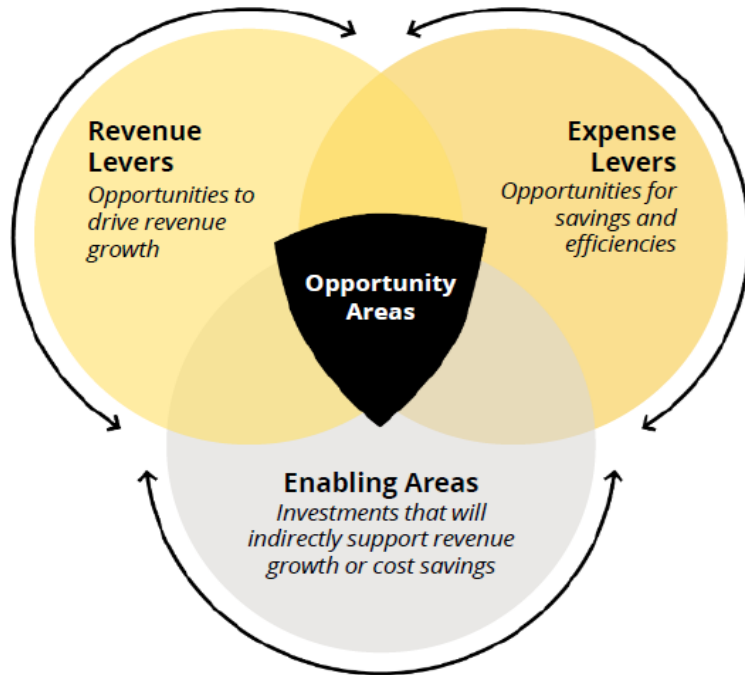
UW-Milwaukee Financial Realignment Plan; all unrestricted funds

UWM's 2030 Action Plan (Draft Update)



UWM Opportunity Areas

Through review of the qualitative information and insights gathered through interviews and analysis of the quantitative data provided by both UW-Milwaukee and the Universities of Wisconsin, the team has identified the following five opportunity areas.



#1 Leverage Strengths to Shore Up Enrollment | Leverage and grow UWM's position and brand in the market, leveraging the city of Milwaukee as the economic engine of WI and building on the success of this Fall's new freshman class. Focus on further growth in graduate professional programs (especially with accelerated programs, international and out-of-state students), and cultivate enrollments via non-traditional student populations (e.g., expanding on flex options, corporate partnerships and other programs for up-skilling the labor force to attract transfers, stop-outs; some college, no degree, and adult learners).

#2 Improve Retention by Enhancing Student Journeys | Improve coordination and touchpoints along the existing student lifecycle based on evolving student needs; leverage data and analytics for at-risk students; and re-evaluate effectiveness of advising model in concert with a broader strategy for student success that crosses divisions and functions.

#3 Ingrain a Policy-Based Approach to Academic Portfolio Review | As student credit hours decline across many of UWM's academic programs, the institution needs a clear framework for how to evaluate the sustainability of its current academic portfolio, and then shape the portfolio accordingly, as student needs and demands evolve.

#4 Optimize Instructional and Research Workload | Continuously evaluate faculty workloads and productivity to identify opportunities to optimize the balance of academic and research productivity on an individual, college, and institution-wide basis, while seeking to reinvest in the research enterprise and support research-engaged faculty in expanding their research agenda.

#5 Cohesively Use Data and Technology to Inform Decisions and Reinforce a Culture of Urgency and Accountability Across Campus | While UWM has effectively executed on many efforts to increase administrative efficiencies and manage costs, the institution has an opportunity to reinforce a culture of urgency and accountability across campus. In tandem, UWM can expand data collection/availability more holistically across campus to enable units to better communicate the realities of their situation and understand where and how to best work with each other to drive meaningful change.

UWM Opportunity Areas

- Well underway
- In progress
- New Initiative

1. Enrollment –

- a. Graduate professional programs with accelerated options
- b. Flex & Competency options
- c. International students
- d. Dual enrollment & technical college transfer
- e. Online Growth Initiative

2. Retention –

- a. Identify Targeted Student Segments
- b. Engage Students to Develop Journey Maps
- c. Map Pain/Exit Points
- d. Transcend Divisional Barriers
- e. Holistic Student-Centered Ecosystem
- f. Improve Utilization of EAB's Navigate
- g. Activate Advisors as Central Point of Contact
- h. Campus-Wide Plan for Student Success



May 16, 2024 – 288 Hmong students from the Hmong American Peace Academy filled out paperwork to take dual enrollment coursework at UWM.

UWM Opportunity Areas

- Well underway
- In progress
- New Initiative

3. Academic Portfolio Review

- a. Develop Policy including KPIs, Monitoring and Triggers
- b. Identify, Restructure and Eliminate Low-Performing Programs
- c. Reallocate Resources to Strategic Growth Areas

4. Instructional and Academic Workload

- a. Develop Guiding Principles to Rebalance Faculty Workloads
- b. Develop Clear Architecture for Optimizing Workload
- c. Focus on Professional Development to Nurture/Retain Talent
- d. Recognize/Create Equity in Service Work

5. Data and Technology, Decision-Making, Urgency & Accountability

- a. Lead with Data-Informed Decision-Making
- b. Utilize the Budget Model to Drive Accountability
- c. Expand Culture of Accountability

UWM Opportunity Areas – Next Steps

Implementation Timeline

- May 2024: Finalize Deloitte Opportunity Areas
- June 2024: Present Opportunity Areas to Board of Regents
- Summer 2024: Integrate Opportunity Areas into 2030 Plan and Communicate with Key Stakeholders
- August 2024: BOR Slides are Released to Public
- Sept. 2024: 2030 Action Plan Update Communicated to Entire UWM Campus Community
- AY 24-25: Implementation Underway