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DATE: September 16, 2015

TO: Jeff Renk, Chief Clerk, Wisconsin State Senate  
Patrick E. Fuller, Chief Clerk, Wisconsin State Assembly

FROM: Ray Cross, President 

RE: UW System Accountability Measures

In accordance with the 2015-17 biennial budget (2015 Wisconsin Act 55), we have identified 12 accountability measures in the areas of financial management, administrative management, educational performance, and research and economic development. The attached includes the measures which were approved by the UW Board of Regents on September, 11, 2015. In addition, the UW Board of Regents authorized the UW System President to make adjustments to the specific measures within the specified categories, in consultation with the chairs of the legislative committees.

Along with more extensive measures available on the new UW System Accountability Dashboard, the measures identified in the four areas will reinforce the UW System's commitment to continuous improvement, transparency, and service to the state.

We look forward to consulting with the chairs of the legislative committees on these accountability measures. Please do not hesitate to contact me if there are any questions.

CC: UW Board of Regents  
UW Chancellors  
David J. Ward, Vice President, UW System

## UW SYSTEM 2015-17 BIENNIAL BUDGET ACCOUNTABILITY MEASURES

### Financial Management

- 1) Overall Financial Health—the Composite Financial Index (CFI) for each UW institution. The UW System is committed to managing its fiscal resources efficiently and effectively, and an assurance of financial health is required for the accreditation of each UW institution. The CFI is used by the Higher Learning Commission, which considers a CFI of 1.1 or higher as indicative of good financial health. The measure contains four components: primary reserve ratio, net income ratio, return on net assets ratio, and debt management viability ratio. Each component reflects a different aspect of financial health, all of which are applicable to UW institutions.
- 2) Cost per Degree—educational and related expenditures per degree. The UW System remains responsible for the management of fiscal resources by keeping expenditures per degree in check. The expenses most directly related to the educational mission of colleges and universities include spending on instruction, student services, and the educational share of spending on academic support, institutional support, and operations and maintenance (i.e., “overhead”). Some caution is due because this is not a direct measure of financial management, and because it is affected by academic program mix and student level.
- 3) Revenue over Expenses—measures include the tuition margin ratio and tuition fund balances. The tuition margin ratio is a measure of overall financial health related to an institution’s instructional mission and compares the revenue of an institution to its expenses. A ratio greater than 1.0 indicates revenue exceeded expenses, while a ratio less than 1.0 indicates deficit spending. The ratio for one year by itself may not be indicative of an issue but should instead be reviewed longitudinally. Tuition fund balances represent one of five categories of unrestricted resources. Tuition fund balances are further designated by level of commitment and presented as a percentage of the annual expenses.

### Administrative Management

- 1) Administrative Expenditures—the ratio of administrative expenditures to total operating expenditures. The UW System remains responsible for the efficient and effective use of its resources by keeping expenditures on administration low, which allows institutions to concentrate their resources on instruction and other student-related activities. However, if administrative expenditures drop too low, it may inhibit the efficient management of operations and reduce the ability to centralize services by eliminating unnecessary duplication. Administrative or institutional support expenditures, defined by the National Association of College and University Business Officers (NACUBO), include systemwide management and long-range

planning, fiscal operations, administrative computing, space management, personnel management, and related administrative functions.

- 2) Average Credits to Degree—average credits attempted by bachelor’s degree recipients. Average credits to degree have been a measure of efficiency since the Governor’s Taskforce on Accountability in 1993. The UW System recognizes that students benefit from exploring new fields, taking extra classes for improved job marketability, or completing more than one major. These benefits must be balanced with the desirability of an efficient path toward degree attainment. Reductions in credits to degree translate into reduced time to degree, greater affordability, and increased access for additional students. Although national comparisons are not available, longitudinal comparisons can be made for UW institutions.
- 3) Affordability—published tuition/fees as a percentage of median family income. The UW System is committed to keeping a baccalaureate degree within reach of students, and the affordability of higher education is one of the ways in which the UW System manages its fiscal resources in combination with state support and enrollments. Comparing undergraduate tuition to family income provides an indication of the financial impact of college on families. This measure does not include the effects of financial aid, which lowers the cost of college for many students with financial need.

### **Educational Performance**

- 1) Graduation Rates—measures include four-year and six-year graduate rates at the same UW institution where a student started and at any UW institution in the System. Graduation rates are a core indicator of how successful institutions are at guiding students through to the on-time completion of their educational goals. Four years is the standard baccalaureate program length, although some programs cannot be completed in four years. Internships, study abroad programs, dual majors, and similar programs which enhance the student experience may also increase the time to graduation. Six years is the national standard for computing and disclosing completion rates to current and prospective students legislated by the Federal Student-Right-to-Know and Campus Security Act of 1990. This measure is sensitive to such actions as changes in selectivity and graduation requirements.
- 2) Equity Gap—measures pertain to closing the gap in new freshman six-year graduation rates between underrepresented minority (URM) and non-URM students and Federal Pell Grant recipients and non-Pell Grant recipients. The UW System is committed to the educational success of all its students. Toward this end, the UW System aims to increase the graduation rate of URM students and lower-income students to be more in line with the graduation rate of their peers. As with the overall graduation rate, this measure is sensitive to changes in selectivity and graduation requirements.

- 3) Degrees Awarded—number of degrees awarded by degree level. The UW’s commitment to degree attainment is demonstrated by maintaining the educational quality of its academic programs, keeping college affordable, and effectively guiding students toward degree completion. The UW System provides the state with the graduates needed for a competitive workforce and growing economy. Increasing the number of college degree holders yields higher personal incomes, greater economic productivity, and a variety of social and civic benefits.

## **Research and Economic Development**

- 1) Research Funding and Public Service Funding—research funding from all sources and public service/outreach funding from all sources. Research is an important mission of the university that contributes to knowledge and improves the learning experiences of students. In addition, research can lead to the development of new technologies, companies, and industries that enhance the economy of the state. The research funding measure also serves as a proxy for research activity. This measure is most relevant at the System-level since not all UW institutions have a primary research mission.

UW institutions serve the people of Wisconsin outside of the campus setting through outreach and public service. Public service funding applies to all non-credit instruction (except preparatory/remedial instruction) and to activities that are established primarily to provide services beneficial to individuals and groups external to the institution, including community service and cooperative extension services. Included in this category are conferences, institutes, general advisory services, reference bureaus, radio and television, consulting, and similar services to particular sectors of the community.

- 2) STEM and Health Degrees—STEM and health degrees as a percentage of all degrees conferred by level. Increasing the number of graduates with degrees in STEM and health benefits Wisconsin’s economy by supplying the state with the talent it needs to compete in the global market. Job growth, employment rates, wages, patenting, and exports have been shown to be higher in more STEM and health-based economies. This measure is most relevant at the System-level as not all UW institutions emphasize STEM and health degree programs.
- 3) Alumni Residing in State—percentage of UW bachelor’s-degree graduates living in Wisconsin. Having more UW graduates remain in Wisconsin increases the quality of the workforce and benefits the entire state economically and socially (e.g., through their contributions to the tax base and civic participation). However, UW graduates are encouraged to be global citizens, and there are many factors that influence where alumni choose to live and work. Limited longitudinal comparisons are available for this measure, and there are no comprehensive national comparisons.