

# **The UNC System Needs a More Comprehensive Approach and Metrics for Operational Efficiency**

A presentation to the Joint Legislative  
Program Evaluation Oversight Committee

December 18, 2013

Pamela Taylor, Principal Evaluator



# Handouts

- A copy of the report and presentation slides
- Description of the 16 UNC campuses and map (blue)
- Summary of campus performance on operational efficiency metrics (yellow)

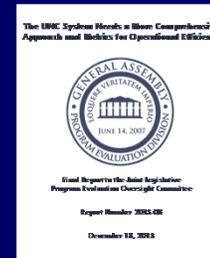


TABLE 1: The 16 Campuses of the UNC System and Their Operational Efficiency Metrics

Campus	Enrollment	Operating Budget	Operating Expenses	Operating Income	Operating Efficiency Score
UNC Asheville	10,000	\$100M	\$90M	\$10M	90%
UNC Charlotte	20,000	\$200M	\$180M	\$20M	90%
UNC-Chapel Hill	30,000	\$300M	\$270M	\$30M	90%
UNC Greensboro	15,000	\$150M	\$135M	\$15M	90%
UNC Johnston	5,000	\$50M	\$45M	\$5M	90%
UNC Kenesaw State	10,000	\$100M	\$90M	\$10M	90%
UNC Martin	5,000	\$50M	\$45M	\$5M	90%
UNC Pembroke	5,000	\$50M	\$45M	\$5M	90%
UNC Raleigh	10,000	\$100M	\$90M	\$10M	90%
UNC Salisbury	5,000	\$50M	\$45M	\$5M	90%
UNC State	10,000	\$100M	\$90M	\$10M	90%
UNC System	150,000	\$1.5B	\$1.35B	\$150M	90%

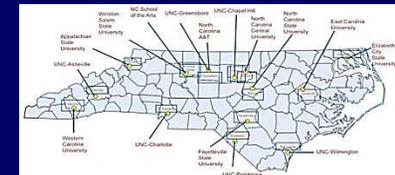


TABLE 2: Summary of Campus Performance on Operational Efficiency Metrics

Metric	UNC Asheville	UNC Charlotte	UNC-Chapel Hill	UNC Greensboro	UNC Johnston	UNC Kenesaw State	UNC Martin	UNC Pembroke	UNC Raleigh	UNC Salisbury	UNC State	UNC System	UNC-Wilmington	East Carolina University
Operating Efficiency Score	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%

TABLE 3: Summary of Campus Performance on Operational Efficiency Metrics

Metric	UNC Asheville	UNC Charlotte	UNC-Chapel Hill	UNC Greensboro	UNC Johnston	UNC Kenesaw State	UNC Martin	UNC Pembroke	UNC Raleigh	UNC Salisbury	UNC State	UNC System	UNC-Wilmington	East Carolina University
Operating Efficiency Score	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%

# Evaluation Team

Pamela Taylor, Evaluation Lead

Jeff Grimes, Senior Evaluator

Brent Lucas, Evaluator



# Study Direction

- Directed by the Joint Legislative Program Evaluation Oversight Committee's 2013–15 Work Plan

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# Report Focus: Campus Operations

- Accounting
- Payroll
- Human resources
- Information technology
- Institutional advancement
- Government and corporate relations
- Legal affairs
- Internal audit
- Facilities
- Institutional research
- Sponsored research
- Campus safety/police

**2011-12 Campus Operations  
Expenditures: \$431 million**

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# Overview: Findings

1. The University of North Carolina lacks a comprehensive approach to operational efficiency
2. The systemwide initiative does not incorporate campus-level operational efficiency efforts and misses opportunities to engage campuses more fully
3. Improved metrics would allow the University of North Carolina to better manage and track operational efficiency



# Overview: Findings

4. Other public university systems have adopted comprehensive approaches to operational efficiency and have demonstrated results
5. The University of North Carolina does not have a reliable source of funding for operational efficiency efforts

# Overview: Recommendations

The General Assembly should direct the University of North Carolina (UNC) system to

- adopt a board policy that defines the vision and goals for operational efficiency for the system if the board does not remedy this issue on its own
- develop a more comprehensive approach to operational efficiency
- adopt metrics to track operational performance, use these metrics in making funding decisions, and identify appropriate sources to monitor operational efficiency
- link chancellor performance to academic and operational efficiency goals

# Overview: Recommendations

- The General Assembly should amend state law to allow the UNC system to reinvest documented savings generated from operational efficiency efforts

# Background



Seal of the UNC System

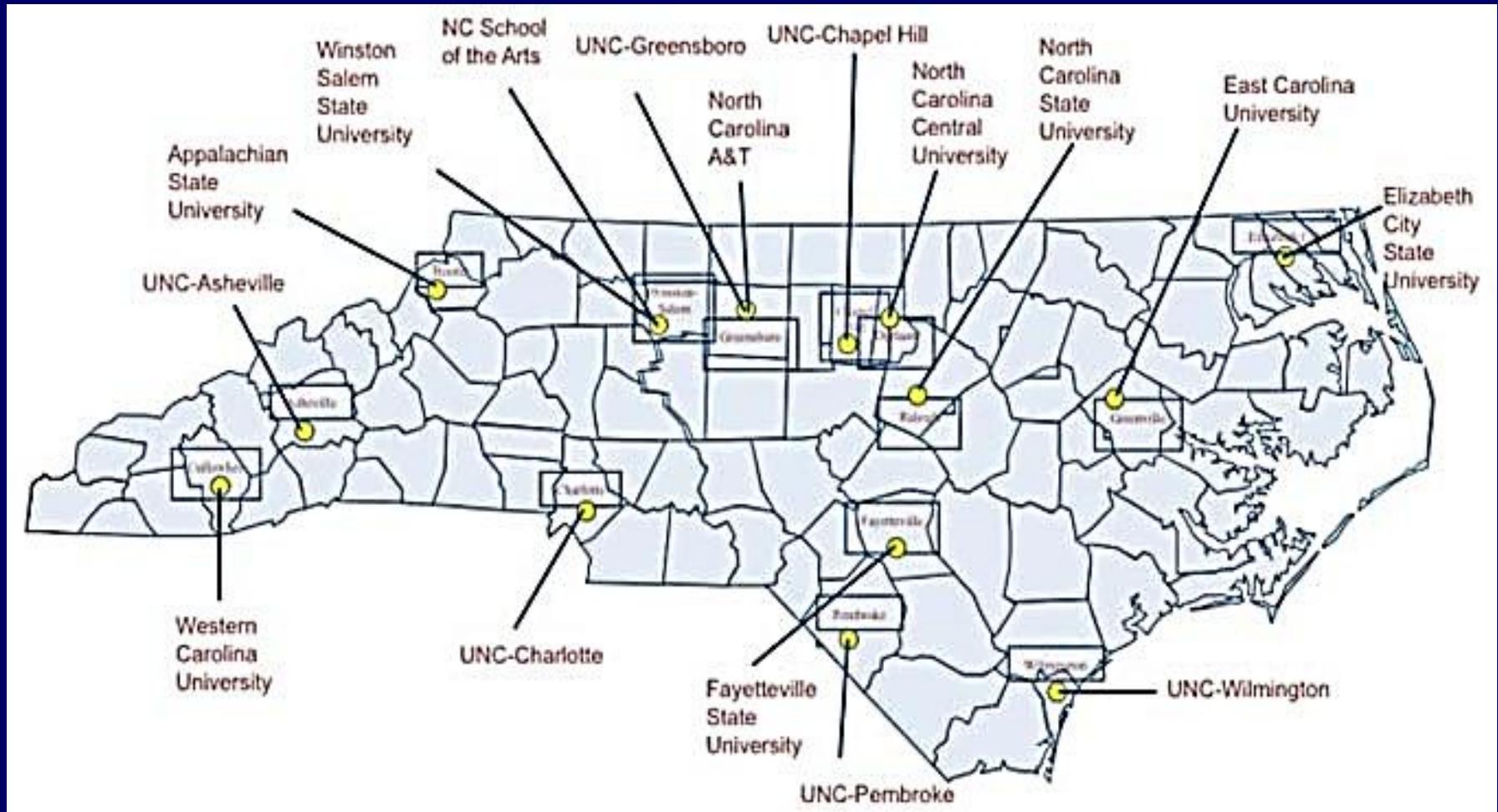
# History and Mission of the UNC System

- The UNC system is a public, multi-campus university dedicated to serving the people of North Carolina
- Core mission: instruction, research, and public service

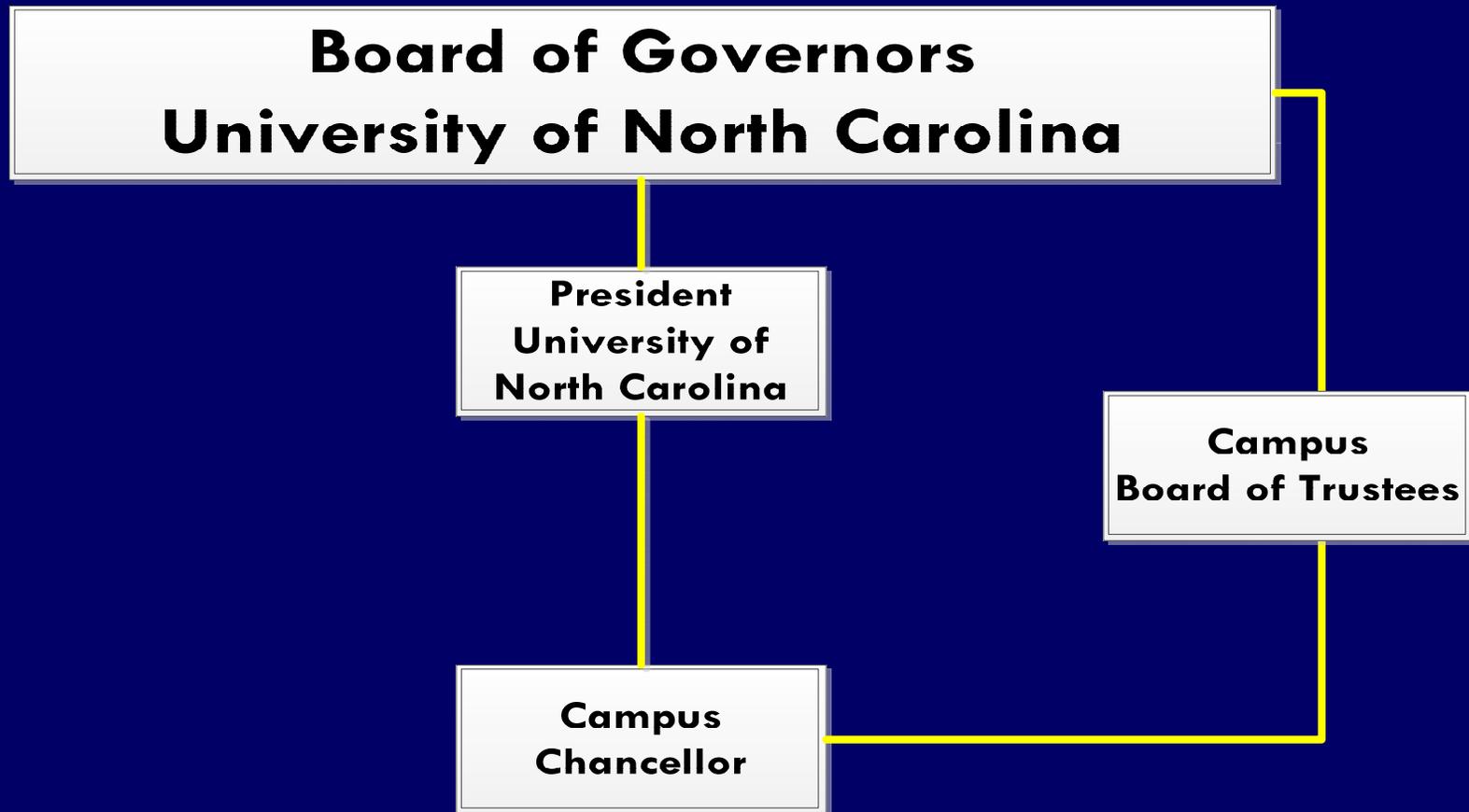
Report pp. 3-4, Exhibit 1



# Sixteen UNC Campuses Vary in Size, Scope, and Complexity



# UNC Board of Governors Has Broad Authority Over the System



Report pp. 5-6



# State Budget Reductions to the UNC System

- Historically, the state has provided generous support to higher education
- The General Assembly has mandated management flexibility reductions to the UNC system since 2003
- Declining state funding for higher education is consistent with nationwide trends
- Operational efficiency is seen as one way to reduce costs and protect the core mission

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# Findings



UNC School of the Arts  
Wardrobe Warehouse



North Carolina State University  
Onboarding Center



UNC Asheville  
Energy Dashboard



UNC Wilmington  
Warwick Center

**Finding 1.**  
**The University of North Carolina lacks  
a comprehensive approach to  
operational efficiency**



# The UNC System Has 11 Operational Efficiency Projects

- Projects are part of the 2013–18 Strategic Plan's Goal 4: Maximizing Efficiencies
- Eight projects fully implemented, one project in the pilot stage, and two in planning phase
- Recurring cost savings: \$25.7 million annually and \$101.2 million to date

Report pp. 12-15, Exhibit 6



# The UNC System Lacks a Comprehensive Approach to Operational Efficiency

- Missing key features in each of these three key components
  - Elements of a successful initiative
  - Efficiency efforts in major operational areas
  - Well-defined structure to manage

Report pp. 16-27



# The UNC System Only Has One Fully Implemented Element of a Successful Initiative

- Charge from the top
- Support from campus leaders
- Faculty buy-in
- ◐ Metrics
- ◐ Transparency
- ◐ Accountability

● = Fully implemented  
◐ = Partially implemented  
○ = Not implemented

Report pp. 16-19, Exhibit 7

# The UNC System Lacks Two Elements of a Successful Initiative

- No board policy that defines the vision and goals for operational efficiency and provides direction to campuses
- No faculty members who could serve as champions for operational efficiency

Report pp. 16-18



# The UNC System Needs to Strengthen Three Elements of a Successful Initiative

- Needs metrics for 4 out of 11 efficiency efforts
- Needs one place for lawmakers and North Carolinians to access information

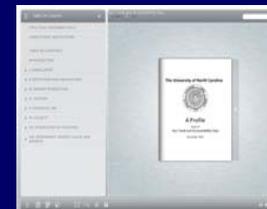
UNC Board of Governors



UNC Finance Improvement  
and Transformation



Institutional Research



Report p. 18



# The UNC System Needs to Strengthen Three Elements of a Successful Initiative

- Needs to explicitly link chancellor performance to campus performance
  - System policy defines the process but not the criteria to evaluate chancellor performance
  - Chancellor performance not linked to goals for academic or operational efficiency measures

	Excellent	Good	Fair	Poor	Not observed
<b>B. Student Success</b>					
1. Demonstrates campus success in increasing access, retention, and graduation of new high school graduates .....	4	3	2	1	0



# The UNC System Lacks Operational Efficiency Efforts in Two Key Areas

- ✓ Procurement
  - ✓ Information technology
  - ✓ Finance
  - ✓ Human resources
  - ✓ Energy services
- ✗ Organizational spans and layers
  - ✗ Space utilization

Report pp. 19-23, Exhibit 8



# The UNC System Lacks Operational Efficiency Efforts in Two Key Areas

- No systemwide effort to reduce layers in campus operations
- No systemwide effort to improve space utilization despite low performance on standards for classroom and laboratory use

Report pp. 21-23, Exhibit 10



# Most UNC Efficiency Efforts Are Housed under UNC FIT

- UNC Finance Improvement and Transformation (UNC FIT)
  - Focus areas: general accounting, contracts and grants, student accounts, and capital assets
  - Complies with Office of State Controller's internal control standards
  - Manages 8 out of 11 operational efficiency efforts
  - Structure includes executive steering committee and project management office

Report pp. 23-25, Exhibit 10



# UNC FIT Does Not Have All the Characteristics of a Well-Defined Structure

- Involvement of the organization's leader
- Executive steering committee
- Project management office
- ◐ Single structure for all efficiency efforts
- ◐ Shared governance with faculty leaders
- Clear communication strategy and brand

● = Fully implemented  
◐ = Partially implemented  
○ = Not implemented

Report pp. 23-25, Exhibit 10

# The UNC FIT Structure Is Not Well- Defined

- Three projects are not managed under the UNC FIT structure
  - Finance: Guaranteed Energy Savings Performance Contracts
  - Information Technology: Banner ERP Hosting Services and Shared Database Administrator Pool
- No involvement of faculty leadership in a shared governance model

Report pp. 23-25



# The UNC FIT Structure Is Not Well- Defined

- Lacks a communications strategy and recognizable brand
  - UNC campuses view UNC FIT as a compliance program, not as an operational efficiency initiative

KPI SUBMISSION SUMMARY										
UNC Wilmington Name of Institution			(Preparer Name & Title) John Finn, CRA, Financial Compliance Officer							
			(Reviewer Name & Title) Stephen S. Meinhold, Ph.D., Assoc. Dean of Research							
To be Completed by the Preparer										
ID #	Contract and Grant KPIs	Frequency	Jul.	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.
CG11	Timeliness of A-133 Certifications (# of Letters Received Within Established Timeframe)	Annually and Monthly until CG12 is 100%	41	45	49	50	50	50	50	50
CG12	Timeliness of A-133 Certifications (% of Letters Received Within Established Timeframe) - CALCULATED FIELD - COMMENT ON RETURN RATES OF <100%	Annually and Monthly until 100%	82%	90%	98%	100%	100%	100%	100%	100%
CG13-A	Total Outstanding Contracts and Grants Receivables for the Reporting Period (in thousands)	Monthly	\$518	\$442	\$400	\$727	\$610	\$666	\$431	\$235
CG13	Aging of Receivables (\$ > 60 and < 90 Days) (in thousands)	Monthly	\$0	\$6	\$2	\$15	\$0	\$56	\$1	\$0
CG14	Aging of Receivables (% > 60 and < 90 Days) - CALCULATED FIELD	Monthly	0%	2%	1%	3%	0%	9%	1%	0%
CG15	Aging of Receivables (% > 90 and <120 Days) (in thousands)	Monthly	\$18	\$1	\$0	\$0	\$0	\$0	\$56	\$1
CG16	Aging of Receivables (% > 90 and <120 Days) - CALCULATED FIELD	Monthly	4%	1%	0%	0%	0%	0%	13%	1%
CG17	Aging of Receivables (\$ > 120 Days) (in thousands)	Monthly	\$0	\$0	\$1	\$1	\$0	\$0	\$0	\$36
CG18	Aging of Receivables (% > 120 Days) - CALCULATED FIELD	Monthly	0%	0%	1%	1%	0%	0%	0%	16%

Report pp. 23-26, Exhibit 11



## **Finding 2.**

**The systemwide initiative does not incorporate campus-level operational efficiency efforts and misses opportunities to engage campuses more fully**

# UNC Campuses Are Engaged in Operational Efficiency Efforts

- Each campus participates in at least 5 of the 11 system-level efforts
- Campuses have initiated operational efficiency efforts on their own
  - Within their own institutions (e.g., Carolina Counts at UNC Chapel Hill)
  - With other UNC campuses (e.g., shared internal audit and property management at Winston-Salem State University and UNC School of the Arts)

Report pp. 27-29, Exhibit 12



# Missed Opportunities to More Fully Engage UNC Campuses

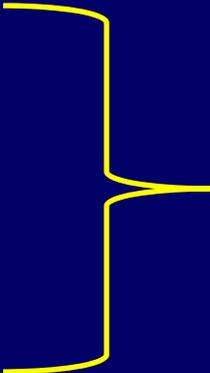
- To address these issues, the UNC system needs to
  - identify savings for smaller campuses
  - count campus savings toward system operational efficiency targets
  - use existing campus groups to generate cost-savings ideas
  - encourage UNC campuses to take leadership roles in improving efficiency
  - operate more like a unified system and less like a confederation



Report pp. 30-32

**Finding 3.**  
**Improved metrics would allow the  
University of North Carolina to better  
manage and track operational  
efficiency**

# The UNC System Does Not Have Metrics for Operational Efficiency

- The 5 metrics used in budget allocations do not measure operational efficiency
    - Freshman-to-sophomore retention
    - Six-year graduation rates
    - Degree production
    - Weighted education and related spending per degree  
**Full cost of a degree**
    - UNC FIT index  
**Compliance**
- Academic effectiveness and efficiency**
- 

Report pp. 32-33



# Three Metrics for Operational Efficiency

Metric	Definition
<b>Campus operations staff as a percentage of total staff</b>	<ul style="list-style-type: none"> <li>• Gauges the size of campus operations staff relative to all staff employed at the institution</li> <li>• Influenced by the size, scope, and complexity of institution</li> </ul>
<b>Campus operations positions per student FTE</b>	<ul style="list-style-type: none"> <li>• Compares the size of campus operations staff to the size of the student body</li> <li>• Should be examined relative to trends in student enrollment</li> </ul>
<b>Institutional support spending per student FTE</b>	<ul style="list-style-type: none"> <li>• Captures institution's total spending on campus operational activities</li> <li>• Can compare institutional performance against peers</li> </ul>

FTE stands for full-time equivalent student enrollment

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# Campus Operations Staff as a Percentage of Total Staff

10 of 16 UNC Campuses Performed Well

## High Performance

## Low Performance

- Campus had a lower percentage of campus operations staff than the average of its institution type

- Campus had a higher percentage of campus operations staff than the average of its institution type

20%



25%



29%



Report pp. 33-35, Exhibit 13



# Campus Operations Staff per Student FTE

## 11 of 16 UNC Campuses Performed Well

### High Performance

- Enrollment growth and reductions in campus operations staff
- Enrollment growth outpaces growth in campus operation staff



### Low Performance

- Increase in campus operations staff outpaces growth in student enrollment
- Declines in enrollment and campus operations staff



**North Carolina Central University  
not assessed**

Report pp. 36-39, Exhibits 14 & 15



# Institutional Support Spending per Student FTE

## 12 of 16 UNC Campuses Performed Well

### High Performance

- Campus spends the same amount or less on institutional support per student than peers



### Low Performance

- Campus spends more on institutional support per student than peers



Report pp. 39-41, Exhibit 16



# Nine UNC Campuses Need to Improve Performance on at Least One Metric

Performance on Operational Efficiency Metrics	UNC Campus
<p><b>HIGH PERFORMANCE</b> Campus scored high on all three measures of operational efficiency</p>	
<p><b>NEEDS IMPROVEMENT</b> Campus needs improvement in one measure of operational efficiency</p>	
<p><b>LOW PERFORMANCE</b> Campus needs improvement in two or more measures of operational efficiency</p>	

Report p. 42, Exhibit 17



**Finding 4.**  
**Other public university systems have  
adopted comprehensive approaches to  
operational efficiency and have  
demonstrated results**

# Operational Efficiency Efforts in Three Other Public University Systems

- Three systems
  - University of California (\$460.9 million)
  - State University of New York (\$20 million)
  - Texas Higher Education Coordinating Board (\$925 million)
- Each governing body has a policy statement of operational efficiency for the system

Report pp. 43-46, Exhibit 18



# Lessons Learned From Three Other Public University Systems

- Have a brand and communications strategy for the effort
- Involve campuses in smaller projects that result in early 'wins'
- Select academic leaders to advocate for operational efficiency on campuses

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# Lessons Learned From Three Other Public University Systems

- Recognize that the benefits of operational efficiency efforts take time to accrue savings
- Make information available to the University community and the public
- Develop a consistent methodology to account for efficiency savings

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**Finding 5.**  
**The University of North Carolina does  
not have a reliable source of funding  
for operational efficiency efforts**

# No Reliable Source of Funding for Operational Efficiency Efforts

- Relies on nonrecurring sources from the UNC system and in-kind support from the system office and campuses
- Funding requests to support specific operational efficiency efforts have been denied
- Lack of funding limits operational efficiency gains

Report pp. 47-48, Exhibit 19



# The UNC System Needs to Document Savings

- State law requires documentation of energy savings before campuses can reinvest in similar efforts
- Campuses report cost savings from other efficiency efforts but few have documented the amount saved

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# Recommendations



UNC Charlotte  
Chancellor's Residence



Winston-Salem State University  
Clock Tower



UNC Chapel Hill  
South Building



UNC Greensboro  
Mossman Building

## **Recommendation 1.**

**The General Assembly should direct the University of North Carolina Board of Governors to adopt a policy that defines the vision and goals for operational efficiency for the system if the board does not remedy this issue on its own**

# Adopt a Board Policy on Operational Efficiency

- A board policy would guide the future of the UNC system by
  - defining operational efficiency as an important value of the University
  - providing direction to the campuses on how this goal should be achieved
  - directing the system president to support campuses in achieving these goals

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# Adopt a Board Policy on Operational Efficiency

- The UNC Board of Governors can remedy this issue on its own
- If they do not, the General Assembly should direct the UNC Board of Governors to adopt a policy on operational efficiency by October 1, 2014

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## **Recommendation 2.**

**The General Assembly should direct the University of North Carolina and its constituent institutions to develop a comprehensive approach to operational efficiency**

# Develop a More Comprehensive Approach to Operational Efficiency

- Direct the UNC system to
  - select a faculty champion for operational efficiency efforts
  - improve the metrics to gauge the success of specific operational efficiency efforts
  - improve the transparency of operational efficiency efforts
  - develop efficiency projects for organizational spans and layers and space utilization

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# Develop a More Comprehensive Approach to Operational Efficiency

- Direct the UNC system to
  - develop a brand and an organizational structure to manage efforts and communicate results
  - incorporate campus-level efforts into systemwide efforts and cost-savings targets
  - identify strategies to engage campuses more fully
  - address the operational performance of UNC campuses

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# Develop a More Comprehensive Approach to Operational Efficiency

- Establish a technical assistance unit to help campuses document savings from operational efficiency efforts
- The General Assembly should direct the UNC system to develop a plan by December 1, 2014

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## **Recommendation 3.**

**The General Assembly should direct the University of North Carolina to adopt metrics to track operational performance, use these metrics in funding decisions, and identify appropriate sources of data to monitor operational efficiency**

# Identify and Use Metrics for Operational Efficiency

- Direct the UNC system to
  - incorporate metrics into budget allocation methodology
  - seek timely and available sources of data to track operational performance
  - identify more appropriate peers for the UNC School of the Arts
  - implement this recommendation by January 1, 2015

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## **Recommendation 4.**

**The General Assembly should direct the University of North Carolina to link chancellor performance to academic and operational efficiency goals**



# Link Chancellor Performance to Academic and Operational Efficiency Goals

- Develop specific criteria for the performance evaluation of UNC chancellors
- The General Assembly should direct the UNC system to update and present its policy by October 1, 2014

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## **Recommendation 5.**

**The General Assembly should amend State law to allow the University of North Carolina and its constituent institutions to reinvest documented savings generated from operational efficiency efforts**

# Establish a Source of Funding for Operational Efficiency Efforts

- Implementing efficiency measures involves a financial investment
- Amend state law to create a reliable source of funding for operational efficiency as an incentive to the UNC system and campuses

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# Establish a Source of Funding for Operational Efficiency Efforts

- Consider an additional 0.5% to carry-forward amount to support current and future operational efficiency based on documented savings
  - Current carry-forward: 2.5%
  - Recommended carry-forward: 3.0%
- Special institutional trust fund could yield up to \$11.1 million

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# Establish a Source of Funding for Operational Efficiency Efforts

- Before the law takes effect, the UNC System should take these actions by February 1, 2015
  - Adopt a board policy
  - Establish the technical assistance unit to document savings from state sources
  - Document savings from campus- and system-level operational efficiency efforts

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# Summary: Findings

- The University of North Carolina
  - lacks a comprehensive approach to operational efficiency
  - does not incorporate campus-level operational efficiency efforts
  - misses opportunities to engage campuses more fully
- Other public university systems demonstrate the importance of a comprehensive approach to the success of operational efficiency initiatives

# Summary: Findings

- The UNC system does not
  - use specific metrics that measure the operational performance of its constituent institutions
  - have a reliable source of funding for operational efficiency efforts

# Summary: Recommendations

The General Assembly should direct the UNC system to

- adopt a board policy that defines the vision and goals for operational efficiency for the system if the board does not remedy this issue on its own
- develop a more comprehensive approach to operational efficiency
- adopt metrics to track operational performance, use these metrics in funding decisions, and identify appropriate sources to monitor operational efficiency
- link chancellor performance to academic and operational efficiency goals

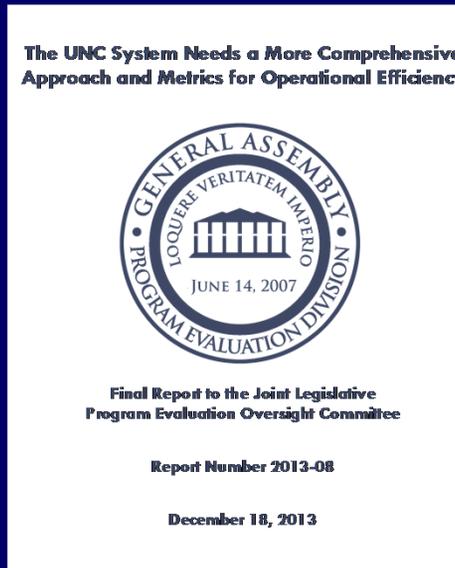
# Summary: Recommendations

- The General Assembly should amend state law to allow the UNC system to reinvest documented savings generated from operational efficiency efforts

# Legislative Options

- Accept the report
- Refer it to any appropriate committees
- Instruct staff to draft legislation based on any of the report's recommendations

**Report available online at  
[www.ncleg.net/PED/Reports/reports.html](http://www.ncleg.net/PED/Reports/reports.html)**



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