Unit Name: Foster Business School

1. **Academic Units**: Please provide a 1-2 page description of how your unit will fund growth plans identified in the Annual Academic Plan workbook through current or anticipated incremental revenue to your unit. Please provide specific fund source names and projections (in dollars). If these plans assume additional Provost Reinvestment Funds (supplement), please make that clear in this section.

The Foster School will admit 25 additional freshmen and 25 additional juniors in the coming year. After four years this will result in a steady-state enrollment increase of 150 undergraduate students per year. We are able to support this increase given our current classroom space in Paccar and Dempsey Halls. Since demand for the undergraduate program is high, this increase will not have a detrimental effect on the overall quality of the program (average GPA and SAT scores for freshman and other admits are listed below).

	2008-09	***2009-10***	***2010-11***	***2011-12***	***2012-13***
Freshman Admit Avg GPA	*3.86*	*3.85*	*3.85*	*3.85*	*3.86*
Freshman Admit Avg SAT	*1315*	*1310*	*1339*	*1339*	*1319*
Other BA Admits Avg GPA	*3.55*	*3.57*	*3.56*	*3.56*	*3.51*
Other BA Admits Avg SAT	*1280*	*1280*	*1290*	*1290*	*1290*

Our FY13 allocation included $200K in temporary funds for expanded enrollment, however we received word of this funding after our admissions process. ***We ask that these funds be carried-over into FY14.*** *Looking beyond FY14, the following calculation indicates that the Foster School's cost for taking on these additional students is substantially more than our likely ABB allocation. A permanent investment from the Provost would help bridge the gap.*

Additional underclassmen = 100 x $5,000 each (for Advising, Admissions, Career Services) = $500,000/year
Additional upperclassmen = 50 x $15,000 each (for Instruction, Advising, Career Services) = $750,000/year
Total cost = $1,250,000/year

In 2012-13, Full-Time MBA enrollment is 18 students lower than overall enrollment in 2011-12. With the help of Carol Diem in Planning & Budgeting we've estimated the impact of this in ABB dollars at approximately -$293K. Incoming FT MBA enrollment numbers are listed below.

	2010-11 Incoming Enrollment	***2011-12 Incoming Enrollment***	***2012-13 Incoming Enrollment***
In-state	*57*	*68*	*40*
Out-of-state	*40*	*44*	*27*
International	*17*	*18*	*27*
Total	***114***	***130***	***94***

Application and Yield Trends
MBA programs across the country are seeing fewer applicants to full-time programs. This detrimental trend has been acerbated by the slow economic recovery.

Trends in yield are also a concern. In 2012-13, the impact of our decrease in in-state applications was compounded by a lower than usual yield rate. We are losing good applicants to out-of-state schools that are providing more scholarship support.

<u>Sharp Decline in Out-of-State Students</u>
Beginning in 2012-13, the University eliminated the Graduate and Professional Student Tuition Waiver over the objection of the Foster School. Note that 17 fewer out-of-state students enrolled in our full-time MBA program than in 2011-12. The financial impact of that is shown below.

Out-of-State Enrollment in 2011-12: 44
Out-of-State Enrollment in 2012-13: 27

FT Non-Res Tuition in Year 1 = $39,081 x 17 students = $664,337
FT Res Tuition in Year 2 = $26,532 x 17 students = $451,044
Lost Tuition Revenue = $1,115,381

<u>Looking Ahead – SCH, Majors and Degree Projections</u>
In 2011-12 we increased our investment in MBA Career Services and have seen positive results. ***96.7%*** *of full-time MBA students were placed in jobs within three months of graduation (up from 90.5% in 2010-11). The average starting salary of these positions was $97K, compared to a mean incoming income of $56K. We expect these statistics to improve our rankings and should see an uptick in 2013-14 full-time MBA applications as a result.*

An underlying assumption of our projections for FY14 through FY17 is that the economy will continue to improve. If that occurs we feel confident estimating incoming full-time MBA class size at 110. We request a 5% increase in resident and nonresident tuition for each incoming class. Consistent with the policy approved in spring 2006, this tuition will apply to students' first two years in the program; more specifically, if students graduate on time they are guaranteed no tuition increase.

Our projections for SCH, majors and degrees also include the previously mentioned enrollment increase in our undergraduate program.

<u>Fee-based programs</u>
Over half of the Foster School's operating revenue comes from fee-based degree programs. Our Evening MBA, Technology Management MBA and Executive MBA programs have seen modest but steady increases in enrollment since the low point of 2009-10. The following factors continue to have a significant impact on enrollment and make projecting the next two biennia somewhat challenging:

- *Economic uncertainty results in students not committing to expensive graduate degrees*
- *Lack of scholarships to help subsidize education*
- *Continued cuts in employer educational benefits*

As such, Directors for these programs estimate annual enrollment increases between 2-5% through FY17. Tuition is also expected to increase within that same range.

One-year fee-based degree programs continue to perform well. Our Masters Programs in Accounting had a combined net income of $1.3 million in FY12, and the first year of our Master of Science in Information Systems ended FY12 with $263K net income. We believe the most growth potential is in the area of one-year Masters degrees. Schools across the country are seeing increased demand for accelerated programs; expansion of our one-year program portfolio would help meet that demand while also mitigating the financial impact of lower enrollment in our full-time MBA program.

We would like to explore offering a one-year fee-based Master of Science in Management program*. This would be a lock-step program for individuals with limited job experience, including students who pursue the program immediately after finishing their bachelor's degree. Upfront costs for this program would be one Director level position, travel costs* *associated with their recruiting efforts, plus a classified Program Coordinator. As is the case in our other one-year programs, instruction would be handled by a mix of lecturers and tenure track faculty. Our expected launch for this program is the 2014-15 academic year.*

Provost Reinvestment Fund Request
The Foster School requests $2 million in permanent funding to offset the following:

- *Lost revenue due to the University's change in policy for out-of-state graduate students*
- *The long run costs in excess of ABB allocation related to 150 additional undergraduates*
- *The $750K yearly cost of operating the Ernst and Young Center for Career Advancement, which opened in fall 2012. Undergraduate Business students no longer use career services offered in Mary Gates.*

2. **Academic Units**: If you are recommending the creation of a new tuition category, please identify the original tuition category, the proposed category, a suggested tuition rate for FY14 and a percentage increase for FY15. If you plan to move only a subset of your programs into a new category, please identify those programs.

These are the recommended tuition rate increases for the Full-Time MBA program (please note – fees are not included in the amounts listed below):

FY14
Resident tuition – 1st year incoming: $27,859 (5% increase over FY13 incoming)
Resident tuition – 2nd year continuing: $26,532 (no change from FY13)

Nonresident tuition – 1st year incoming: $41,035 (5% increase over FY13 incoming)
Nonresident tuition – 2nd year continuing: $39,081 (no change from FY13)

FY15
Resident tuition – 1st year incoming: $29,252 (5% increase over FY14 incoming)
Resident tuition – 2nd year continuing: $27,859 (no change from FY14)

Nonresident tuition – 1st year incoming: $43,087 (5% increase over FY14 incoming)
Nonresident tuition – 2nd year continuing: $41,035 (no change from FY14)

3. **Academic and Administrative Units**: Considering your strategic plans (particularly if they assume growth) please provide a short summary (1-2 pages at most) that relates these plans to your current space assignment. In particular, you might consider the following questions when drafting your response:
   a) Does your current space inventory meet current programmatic requirements? Contrarily, does the type or quality of the space place any constraints on your ability to meet program requirements? If not, please provide specific quality or space type concerns (location, specific quality concern, etc.).
   b) Will your unit be able to accommodate your growth plans within existing inventory of space? If additional space will be necessary, please describe the amount, type, or quality of *additional* space you may need to meet programmatic objectives and growth plans.

Our building committee did a good job during the design processes for Paccar and Dempsey Halls. The capacities, layouts and classroom technology have had a substantial positive impact on instruction and student satisfaction.

Operationally, however, significant challenges remain. We have difficulty keeping these buildings clean, especially for our evening students, given the early morning shift of UW Custodians. Typically Custodians work from 5am until roughly 1pm. Classes start as early as 7:30am, which doesn't leave much time for deep-cleaning. After that the buildings are bustling until the exterior doors lock at 11pm (as is the case for many buildings across campus). We had to fund a 0.6 FTE evening custodian ourselves and asked that one of the custodians assigned to our buildings be moved to the 8am-5pm shift. This has helped, but has not solved the problem.

Our classrooms are completely booked throughout the day. This makes it very difficult to schedule maintenance with UW Facilities' trades groups (carpenters, electricians, etc.), who for the most part maintain a 7am-4pm schedule. When something goes wrong in a classroom typically it needs to be fixed as soon as possible. While the work the carpenters and electricians do is exceptional, we have found it takes much longer to resolve issues (thus diminishing student satisfaction).

4. **Academic and Administrative Units:** Should the 2013 Legislature lift the ongoing salary freeze and allow increases, we certainly hope that state funding will be provided for GOF increases. In the event that state funding for compensation is not available, all units should have plans to cover GOF/DOF salary increases out of tuition or other fund sources. Should no tuition revenue be available to your unit, Provost Reinvestment Funds may be dispatched to provide support for increases. Please provide your units' plans to cover expenses associated with salary increases. A salary and tuition revenue model is available on the OPB website; this model is designed to give you a sense of the magnitude of the support that will be required at various percentage increases.

The Foster School has experienced a large number of faculty retirements over the last few years and currently has eight fewer tenure track faculty than we did in 2008-09. In order to meet instructional needs of all our programs, including the proposed MS in Management, we must continue to aggressively recruit faculty.

Retaining faculty and staff is another high priority. A 2% increase for faculty, professional and classified staff would cost the school $579K in FY14. This includes cost of benefits. Assuming a 4% increase for TA's and RA's on top of that, the total cost to the school would be $637K. The proposed 5% increase in MBA tuition plus a modest (3%) increase in undergrad tuition would offset this cost.

That said, 2% increases for faculty and staff do not come close to addressing the compression and equity issues that have arisen due to the salary freeze over the last four years. Starting salaries for Foster faculty have increased by as much as 21% in certain disciplines during this time. Analysis suggests the need for a 13% merit pool for faculty and an 8% merit pool for professional staff. Without this, the Foster School will face the real possibility of losing many talented faculty and staff.

5. **Academic and Administrative Units:** Your unit may have identified growth plans in the Annual Academic Plan workbook; if so, as part of question 1 your unit should have included a description of the funds necessary, including Provost Reinvestment Funds, to support such growth. For this section, however, please provide specific requests of Provost Reinvestment Funds for new initiatives. Please provide a one-page summary of these requests, articulating how much funding is requested by an initiative, whether temporary or permanent funds are requested, and how the funds would be spent (new positions, systems, etc.).

Our requests for Provost Reinvestment Funds are outlined in question 1 above.