



## Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #680

### Flexible Option (UW System)

[LFB 2013-15 Budget Summary: Page 480, #8]

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#### CURRENT LAW

No provision.

#### GOVERNOR

Provide \$650,000 GPR in 2013-14 and \$1,300,000 GPR in 2014-15 and 6.5 GPR positions beginning in 2013-14 and an additional 6.5 GPR positions beginning in 2014-15 to increase the number of courses and programs offered through the new flexible option platform. Flexible option degree programs are targeted to adult learned and are self-paced and competency-based. Through these programs, students can be awarded credit for demonstrating college-level competencies learned through coursework, independently, or through employment.

#### DISCUSSION POINTS

In June, 2012, the Governor and the UW System announced an initiative, now known as the UW Flexible Option, to create self-paced, competency-based online degree programs to facilitate degree attainment by working adults. The purpose of the UW Flexible Option is to create an alternate means by which students who are currently not served by UW institutions and programs can earn degrees and certificates, particularly those required for career advancement. Instead of earning credits for completing coursework as under the traditional degree model, students enrolled in UW Flexible Option programs would make progress towards a degree or certificate by demonstrating competencies. Although student progress will be measured in competencies mastered as opposed to the traditional credit hour, these competencies will have to be translated into credits and vice versa to allow students to transfer to and from traditional and UW Flexible Option programs.

1. It is anticipated that a total of 10 to 15 degree programs will be converted to the UW

Flexible Option format along with a larger number of certificate programs. Degrees and certificates will be selected for inclusion in the UW Flexible Option based on student demand and potential to contribute to economic growth and development. At this point, it is anticipated that degrees and certificates will be in three general areas: information technology, healthcare, and business.

2. The degrees and certificates offered through the UW Flexible Option format will primarily be drawn from the UW System's existing program array. Individual institutions will identify programs to be offered via the UW Flexible Option format. Faculty members will then convert those programs to the UW Flexible Option format by identifying the competencies attained through those programs and developing or purchasing assessments to determine whether a student has mastered those competencies. Students may develop these competencies through any number of ways including traditional coursework, online material, work and practical experience, and internships or service projects. The intention is for the degrees and certificates offered through the UW Flexible Option to be of the same quality as the same degrees and certificates offered through traditional methods.

3. Students will begin enrolling in UW Flexible Option degree and certificate programs in fall, 2013. At that time, three bachelor's degrees, one associate's degree, and one certificate will be offered through the UW Flexible Option format. These programs will include a bachelor of science in nursing for registered nurses, a bachelor's degree in diagnostic imaging for certified diagnostic imaging professionals, and a bachelor of science in information science and technology, all offered by UW-Milwaukee; an associate of arts and sciences offered by the UW Colleges; and a certificate in professional and technical communication also offered by UW-Milwaukee. General education courses offered by the UW Colleges through the UW Flexible Option format could be used to satisfy the general education requirements of the bachelor's degree programs offered by other UW institutions. Faculty at UW-Milwaukee and the UW Colleges are currently developing competencies and identifying assessments related to these programs and certificates.

4. It is anticipated that an additional four degree programs, including a master of nursing for registered nurses to be offered by UW-Milwaukee, would be offered through the UW Flexible Option format beginning in the 2014-15 year and an additional two programs would be offered through that format beginning in the 2015-16 year. UW-Extension staff have also indicated that they are in the process of identifying a business degree program to convert to the UW Flexible Option format due to the demand for additional degree holders in that area.

5. A key component of UW Flexible Option will be the provision of intensive student support services and proactive advising meant to increase student success. Online degree programs tend to have significantly lower retention and graduation rates than traditional degree programs. To address this, the UW Flexible Option would employ advisors, tutors, and "success coaches" to work with students. Academic advisors will help students develop individualized learning plans and navigate degree requirements while tutors will provide assistance to students preparing for assessments and provide feedback on students' performance on those assessments. The "success coach" will be a position unique to the UW Flexible Option and will blend academic and student support roles. "Success coaches" will be responsible for helping students progress through all aspects of their chosen degree program and will work with students on a variety of issues including time management and financial planning as well as help them access other academic and student

support services.

### **Tuition**

6. In developing the UW Flexible Option business plan, UW-Extension and UW System staff considered a number of different models for charging students enrolled in UW Flexible Option degree and certificate programs. At present, it is anticipated that students will be charged through an "all-you-can-learn" model. Through this model, enrolled students would have unlimited access to academic courseware and content, specialized student support services, and competency-based assessments for a set period of time beginning on the date that the student enrolls. UW-Extension and UW System staff currently plan on charging students between \$2,000 and \$2,500 for three months of access to UW Flexible Option materials and services. UW-Extension staff plans to present the UW Flexible Option tuition pricing model to the Board of Regents at their July meeting.

7. On average, UW Flexible Option students are expected to enroll in approximately three and a half "terms" per year and annual tuition charges per student are estimated to total \$7,000 to \$8,750. By comparison, resident undergraduate tuition at UW institutions ranges from \$4,750 at the UW Colleges to \$9,273 at UW-Madison in 2012-13. (These amounts are for full-time students attending in the fall and spring semesters.) UW-Extension and UW System staff intentionally proposed a tuition model where UW Flexible Option students would pay an amount of tuition similar to that paid by students in traditional and online programs. This was done because the UW Flexible Option is meant to serve a different population of students and not to compete with, or draw resources away from, existing UW degree and certificate programs offered either on-campus or online.

8. Most UW Flexible Option students will be able to complete two competency clusters during each three month "term." Most degree programs offered through the UW Flexible Option will require mastery of 15 to 20 competency clusters, so a student could be expected to complete a degree within eight to ten terms, or 24 to 30 months, at a total cost of \$16,000 to \$25,000. This could be compared to the 36 months of coursework required by a typical four year degree (four academic years of nine months each) at a cost of between \$25,000 and \$37,000 (excluding student segregated fees) at a UW institution.

9. The actual length of time it will take an individual student to complete a UW Flexible Option degree or certificate program is expected to vary depending on both the student and the program selected. For example, highly-motivated students and students who have previously earned some number of college credits would be expected to complete programs more quickly than other students. In addition, some programs may include a lesser number of competency clusters to be mastered which would allow students to complete those programs more quickly.

10. UW-Extension officials are also working on an "assessment only" model that will charge students for assessments only. However, this model is not expected to be fully developed by the time the first programs launch in fall, 2013.

### **Costs and Positions**

11. The draft business plan provided by the UW-Extension shows that, including the

\$1.3 million GPR provided in the Governor's budget, the UW Flexible Option will be operating at a loss through the 2015-16 year. It is anticipated that these losses, which are estimated to total \$10.4 million, would be funded with money designated for that purpose in the UW System's tuition revenue appropriation balance. It is also possible that the UW-Extension could receive private grants from philanthropic organizations to cover some portion of these costs. Based on the estimates included in the business plan, it is anticipated that the UW Flexible Option will begin generating a surplus in the 2016-17 year; however, these estimates assume that \$1.3 million GPR will be provided for the UW Flexible Option in that year. The UW Flexible Option is not expected to become fully self-supporting, meaning that tuition revenues cover all of the costs of the program and no GPR funds would be needed, until sometime after the 2016-17 year.

12. The UW Flexible Option business plan currently estimates total enrollment in UW Flexible Option programs increasing to 1,400 in 2016-17. UW-Extension officials have indicated that these estimates are conservative and that, if enrollments are substantially higher, the UW Flexible Option may be fully self-supporting at an earlier date.

13. One of the major costs associated with the UW Flexible Option format is the acquisition and maintenance of a new student information system (SIS). Currently, all 14 UW institutions have their own unique SIS. A new SIS will be required for the UW Flexible Option because, unlike the existing SISs, degree progress will be measured in competencies attained instead of credits. The UW Flexible Option will also operate on a year-round basis instead of on a more traditional semester-, trimester-, or quarter-based calendar. Adding complexity, the UW Flexible Option will have to interface with the SIS located at each UW institution offering a degree or certificate through the UW Flexible Option format. While negotiations are ongoing, it is currently estimated that acquiring a SIS tailored to UW Flexible Option programs could cost \$6.0 million with \$100,000 in annual maintenance costs.

14. The Governor's budget would provide 6.5 GPR positions in 2013-14 and 13.0 GPR positions in 2014-15 related to the UW Flexible Option program. The UW-Extension estimates that positions related to the UW Flexible Option will total 68.1 positions in 2013-14 and 63.8 positions in 2014-15. These positions will include positions at the institutions offering the programs as well as administrative positions at UW-Extension and UW System. The positions at the institutions will include program coordinators and support staff; faculty members involved in content and assessment development; academic advisors; and tutors. Positions at UW-Extension and the UW System will include additional instructional assessment and design positions; marketing and recruitment staff; staff related to the admissions, financial aid, registrar, and bursar functions; success coaches; a psychometrician who would ensure the validity of the assessments; a learning analytics specialist who would use student data to improve the programs; and program management staff. As the Governor's budget would authorize only a limited number of GPR positions related to the UW Flexible Option, it is anticipated that the remaining positions would be PR positions supported by tuition revenues. Under current law, the Board of Regents has the authority to create PR positions.

15. The decision to centralize some functions related to the UW Flexible Option at UW-Extension and UW System was made to provide consistency and uniformity across all programs offered through the format as well as to take advantage of economies of scale. The institutions

offering the degrees and certificates through the UW Flexible Option format will retain control over those functions most closely related to the academic components of the programs such as admissions criteria and standards. Institutions offering programs through the UW Flexible Option format will be responsible for the academic direction and oversight of those programs while UW-Extension and UW System will be responsible for program administration and support.

16. The UW System has indicated that \$12.3 million of its tuition appropriation balance and \$1.0 million of its extension student fees appropriation balance would be used to fund costs related to the UW Flexible Option degree program. Given that the UW-Extension and the UW System could fund estimated UW Flexible Option costs with funds drawn from the tuition revenue appropriation balance and tuition revenues generated by the program, the Committee may wish to delete the funding and related positions provided in the Governor's budget. If based on actual student enrollments the UW Flexible Option is not fully self-supporting by the end of the 2014-15 year, the Board of Regents could request GPR funds to support the program in the 2015-17 biennium.

### **Financial Aid and Accreditation**

17. Federal law permits students enrolled in competency-based programs, also known as direct assessment programs, to be eligible for federal financial aid programs provided that those programs are accredited and meet certain other conditions. UW-Milwaukee and the UW Colleges are seeking accreditation for their UW Flexible Option programs from the Higher Learning Commission (HLC), which is the accrediting body for both institutions. UW-Milwaukee and the UW Colleges will finalize their applications for accreditation in mid-May and should receive HLC's decision in July. Programs offered through the UW Flexible Option must be accredited before the institutions can begin recruiting students.

18. One question that will have to be resolved in the future is whether and how students enrolled in the UW Flexible Option program will be eligible for state financial aid programs, particularly the Wisconsin higher education grant (WHEG) program for UW students.

### **Competency-Based Programs at Other Institutions**

19. A select number of higher education institutions already offer degree and certificate programs through competency-based formats. Western Governors University (WGU), a private, nonprofit institution founded by the governors of 13 states in 1997, is the most prominent institution offering competency-based degree programs. WGU enrolls more than 35,000 students and currently awards degrees in four areas: education, business, information technology, and health professions. WGU charges students \$2,980 for six months of unlimited access to its programs. Based on an average time-to-degree of 2.6 years, it is estimated that the average WGU degree costs \$14,900. Although students enrolled in WGU make progress towards degrees by mastering competencies, WGU currently translates those competencies into credits to allow students to be eligible for federal financial aid.

20. The University of Southern New Hampshire (USNH), a private, nonprofit institution, recently launched a competency-based associate's degree program known as "College for America." The program, which is only open to the employees of partner organizations, charges

annual tuition of \$2,500 allowing students to earn an associate's degree for \$5,000 or less. The program has already been granted approval by the regional accrediting agency and is currently the only competency-based program approved by the U.S. Department of Education to participate in federal financial aid programs. Similar to what is proposed for the UW Flexible Options, the competencies mastered by students enrolled in the USNH associate's degree program will be translated to traditional course credits to allow students to transfer to four-year programs.

21. Capella University, a private, for-profit institution that is also seeking accreditation from HLC for its competency-based programs, has launched eight competency-based courses in the areas of business and business administration. Similar to the competency-based associate's degree program at USNH, Capella University's pilot program is open only to employees of the Capella University's corporate partners or of the University itself. Students enrolled in the competency-based courses are charged tuition by the academic quarter and can take up to two courses a quarter. Tuition for competency-based courses is \$2,000 per quarter for undergraduate students and \$2,200 per quarter for students enrolled in masters of business administration courses. As Capella has not yet received approval from HLC, competencies mastered through the courses are converted to credits to allow students to be eligible for federal financial aid.

22. In a letter to the Committee dated May 15, 2013, the Secretary of the Department of Administration (DOA) recommended that funding for flexible option be provided through the UW System's program revenue block grant appropriation instead of the UW System's GPR general program operations appropriation, and that the \$1,950,000 GPR of funding for this purpose be deleted. Using this approach, the Committee could require the Board of Regents to allocate \$650,000 in 2013-14 and \$1,300,000 in 2014-15 from its PR appropriation for general program operations for the flexible option program.

**ALTERNATIVES**

1. Approve the Governor's recommendation.

2. Modify the provision as recommended by the DOA Secretary in his May 15 letter to the Committee, including: (a) delete \$650,000 GPR in 2013-14 and \$1,300,000 GPR in 2014-15 with 13.0 GPR positions; and (b) require the Board of Regents to allocate corresponding amounts from its program revenue appropriation for general program operations for flexible option.

<b>ALT 2</b>	<b>Change to Bill</b>	
	Funding	Positions
GPR	- \$1,950,000	- 13.00

3. Delete provision. Under this alternative, the UW System Board of Regents, at its discretion, could continue to fund the development of flexible option programs within its base budget.

<b>ALT 3</b>	<b>Change to Bill</b>	
	Funding	Positions
GPR	- \$1,950,000	- 13.00

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