EXECUTIVE SUMMARY

ACTION ITEM: Five-Year Strategic Plans (FY 2007-2011) for Universities and Central Office

ISSUE: The Board is asked to review and approve the proposed Five-Year Strategic Plans for FY2007-2011 for the Universities and the central office prior to their submission to the executive and legislative branches of government.

BACKGROUND:

- By reviewing the major issues in these plans the Regents, the executive branch, the legislature and other stakeholders are given a concise overview that focuses on key issues which accomplishment is essential to the success of each university.
- A system-wide Environmental Scan (see pages 3-9) is attached that covers major national and Arizona issues using demographic, economic, education and public policy areas. This scan has been expanded to focus on themes of shaping the future and driving forces, in addition to U.S. and Arizona environmental scan items.
- A one-page matrix (see page 10) cross references higher education topics to each university's issues for ease of reference and review.

DISCUSSION:

- A number of useful refinements have been incorporated into the plans this year. ASU has refined its campus plans to focus on the key differentiating features of each campus, UA has consolidated its campuses and streamlined its plan to provide greater consistency with the formats of the ASU and NAU plans. All three universities have incorporated Redesign features into their plans, and have highlighted their major information technology, capital and personnel needs.
- At the Board meeting, the university presidents will present key accomplishments over the last year, their vision for the next five years, and important issues facing their university.
- These plans are due to the State Office of Strategic Planning and Budgeting (OSPB) in draft form on October 1, 2005 and are due in final form on January 1, 2006. Resource funding amounts are not available in time for inclusion into the attached drafts but will be available prior to submission of the draft plans to OSPB. It is important to recognize that this is an iterative process and, as other dynamics unfold during the fall, changes may be made before the final plans are submitted. Significant changes will be brought back to the Board for approval. The final plans will be posted on the ABOR and university web sites in early January 2006.

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- It is important to note that approval of the Five Year Strategic Plans does not waive more specific ABOR or state required approvals of particular items.

RECOMMENDATION:

It is recommended that the Board approve the Five Year Strategic Plans of the major budget units of NAU, ASU at Tempe Campus, ASU at Polytech Campus, ASU at West Campus, UA and the central office.

UNIVERSITY ENVIRONMENTAL SCAN

An environmental scan sets a context in which to view individual institutional strategic plans. In some cases, the scan retrospectively documents driving factors that influence the future. But there are always forces that react and interact in ways that are not readily understood. Some factors, like the aging of the population, are easily understood and documented. But single dimensional analysis misses complexities that obviously exist. Multi-dimensional analysis considers those possibilities. The general themes identified below are examples of multi-dimensional analysis.

These characteristics or general themes describe another perspective on how we can look at the world. The driving forces use familiar classification terms. These general themes about the future partly emerge by studying the following driving forces and other studies in depth. But they also emerge from looking at the world from a future perspective rather than our more familiar classification categories of demographics, the economy, education, public policy, and technology.

Four General Themes Shaping the Future

The following themes describe a set of perspectives to consider in the changing world. Driving forces use some traditional classifications, and these themes partly emerge by studying driving forces in depth. But they also emerge from looking at the world from a future perspective rather than our familiar classification categories.

· ***Sustainability***
Sustainability is likely to be the next defining era (like technology defines our current era). It is pervasive through all driving force topics and is generally defined as doing something today with the long-term perspective in mind so you are able to continue doing it a long time without burdening future generations. Topical examples include strategic planning, workforce development, life long learning, health, security, infrastructure, spending/investment, building/maintenance, and organizational behavior (including ethics and quality).

· ***Globalization and Regionalization***
The world is more interdependent through the economy/trade/marketing and because of ease of access through travel or Internet. While keeping national culture and local options, nations (or regions or cultures that are dispersed among many locations) become part of the world as a whole and thus require worldwide efforts at governance, treaties and collaborations.

· ***Personalization and Collaboration***
Increasingly people will want both personal service (rather than generic relationships) and ways of obtaining products or services that are unique to the person requesting it. At the same time, there is a need to work together to address common issues/problems. This changes the relationship of the organization to the individual, as employee or as customer.

· ***Complexity and Simplicity***
Everything is getting more complex, with more choices, and people look for simplicity. Some solutions are indeed simple, and some new technologies can take the complexity and hide it, so the solution appears simple. Both simplicity and complexity are likely to be guidelines for the future.

Five Driving Forces and Their Key Trends

Driving forces can be thought of as "clusters" of related trends. Trying to address each trend independently is too difficult (there are too many), but by grouping them into a small number of general categories, the collective effect of the related trends is much easier to comprehend. These driving forces provide an overview to associated trends.

Demographics

Driving Forces

- Number of post 65 year old people and post 85 year old people continues to increase as a percentage of population
- Immigration conflicts, worldwide, occur as the increasing percentage of immigrants in the population changes the culture and economy of the developed nations (for the US, this is predominantly Hispanic populations).
- With few exceptions, people will continue to retire near where their relatives and friends are located.
- Generation Y, those born between 1979 and 1994, remains the dominate population on campus.

The Facts

In 2004-05, 33.2 percent of high school graduates nationally were minority students while in Arizona it was 43.3 percent.

By 2017-18, it is projected that 44.4 percent of high school graduates nationally will be minority students while in Arizona it will be 58.0 percent.

Only 55 percent of American students who start college complete within six years.

In Arizona's public universities, the system six-year graduation rate for Arizona high school graduates was 58.4 percent for the 1998-99 cohort.

The six-year graduation rate for African American or Hispanic students in the US is 41 percent.

In Arizona's public universities, the six-year graduation rate for African Americans was 43.9 percent and for Hispanic students was 48.1 percent.

The Generation Y high school graduating class of 2009 will be the largest class ever recorded nationally.

The Implications

All states will see a significant shift in their student bodies, with educating the minority student becoming their principal responsibility.

Learning needs of a changing student body will challenge traditional educational methods and will require a more learner-centered approach.

The need to educate a workforce to replace Baby Boom generation retirees will place significant pressure on employers and educators.

The Economy

Driving Forces

- Sustainable practices become institutionalized on how institutions operate and products are produced. Institutions take a more comprehensive view of clients/customers by providing on-going services rather than piecemeal responses to needs.
- International trade/trade deficits, public and private debt, and economic inequalities (in world and in US) continue.
- Economic impacts of baby boomers retirements and how current deficits are addressed.
- The role of return on investment or measures of progress may be changed from that used today.

The Facts

The Federal Funds interest rate has risen a quarter of a percentage points 10 times from June 30, 2004 when it was 1.0 percent to 3.5 percent on August 8, 2005. Further increases are expected in the months ahead.

Oil prices have risen from $23.61 a barrel in May 2003 to nearly twice that level, $46.63 a barrel in May 2005. This nearly 100% increase in one year has then been followed by nearly a 50% increase to $65.35 in mid-September, 2005.

The federal deficit was $5.6 trillion in 2000 (58 percent of GDP) and rose to $7.4 trillion in 2004 (63.7 percent of GDP). The official forecast for 2010 is that the federal deficit will be $11.1 trillion (70 percent of GDP).

Real GDP rose 3.3 percent in the second quarter of 2005 compared to 3.5 percent in the second quarter of 2004.

Arizona has recorded incredibly strong state tax revenue growth in 2004-05, growing by $1.3 billion, or 18.7 percent, during Fiscal Year 2005 compared to the prior fiscal year. In the first month of FY 2006, state General Fund collections are up $87.4 million, or 15.7 percent, compared to July 2004.

The Implications

The economy is expected to slow as consumers and businesses have less flexibility to make purchases. The impact of Hurricane Katrina and significantly higher energy prices throughout the economy have been projected to reduce the growth rate of GDP by as much as a half to a full percentage point in the months ahead.

Federal and state revenue collections will grow more slowly, compared to recent experience. The consumer, particularly, is expected to show less strength. At the federal level, rising costs fighting terrorism and the clean-up following Hurricane Katrina will consume significant resources.

Recent state revenue growth will yield significant one-time revenue increases, but these will not be sustained into the future. Permanent revenue cuts, or expenditure increases, will likely be difficult to sustain into future fiscal years.

Education

Driving Forces

- Debates are raging over the role of private enterprise linkages to the university, faculty tenure policies, student learning models, and innovative funding arrangements.
- Forecasted enrollment growth over the next 15 years is uneven in the country, but Arizona is among the few states that are expected to continue a strong growth pattern.
- Technology has been adopted in various degrees in different institutions, with all using it to some degree. Substantial additional uses of technology will occur in the learning area as well as administrative use.
- Competition continues to be strong between the various types of student audiences, with some universities forming partnerships with other universities or corporations to share resources.

The Facts

According to the National Center for Education Statistics (NCES), between 2002 and 2014, enrollment in grades 9-12 is expected to increase 2 percent nationally.

The NCES also projects that college enrollment nationally will rise by 17 percent from 2002 to 2014.

The oldest of the Baby Boom generation turns 60 next year and within 10 ten years half of the Baby Boom generation will be 60 or older.

During the decade of the 1990s, only 1997-98 saw Arizona university FTE enrollments rise by more than 2 percent. In four of the five years this decade, FTE enrollment growth has exceeded 2 percent and it appears likely that it will exceed 2 percent in 2005-06 as well. In 2001-02 and 2002-03, growth averaged nearly 4 percent.

Job growth nationally has been growing moderately during the economic recovery, but unemployment rates have held at relatively low historical levels with the US unemployment rate at 4.9 percent in August 2005 and the Arizona unemployment rate at 4.6 percent in August 2005.

The Implications

As the most highly educated generation in the US, retirement of the Baby Boom generation will create significant demand for well-educated replacement workers.

Enrollment growth continues to exceed projections contained in the needs assessment of the Arizona university redesign project. Significant numbers of additional students continue to enroll in Arizona's public universities.

Educational institutions continue to be pressed to serve more students in the most cost-effective way possible. The use of alternative ways to reach and engage students will include, but not be limited to, the use on technology.

Public Policy

Driving Forces

- Debates continue in matching tax rates with desired public services and impacts on country of inaction or extreme action
- World order becomes clear as countries work together to guide/monitor how countries function in the world economy.
- Political parties are impacted by the rise in individual power (through networking and information sharing) with possible changes to the two party system.
- Rise of China and India (two largest countries) workforce as a world resource and related changes in political influence.

The Facts

The Higher Education Reauthorization Act recommends increased accountability for higher education institutions and removes many programs to provide financial aid to needy students.

According to The National Center for Public Policy and Higher Education, over the last decade, 8 states have seen improvements in participation in higher education, 2 states have seen improvement in affordability, and 37 states have seen improvement in completions.

The Measuring Up 2004 Report Card gave Arizona the following grades: Preparation-D, Participation-B^{+}, Affordability-F, Completion-C^{+}, Benefits-B.

The National Governor's Association found in a 2005 survey of high school seniors that 70 percent of those who responded felt that teachers have high expectations only for 'certain students' and that 30 percent say that high school has done only a 'fair' or 'poor' job of preparing them academically.

The Implications

Policy-makers will continue to expect institutions to do more with only slightly more resources.

Accountability, and its reliance on high stakes testing, does not seem to translate into challenging and engaging educational experiences for the majority of students.

The debate over the cost of public higher education has two components, the total cost and how that cost is allocated between the individual and the public sector.

The loss of federal funds for low income and minority students will reduce their access to higher education at the very time that an increasing fraction of the costs to educate a student are being shifted to the individual.

Technological

Driving Forces

- Many new technologies make major changes in health, manufacturing, knowledge management, learning/training and infrastructure. These allow new communication and seeking the relevant information for decisions rather than waiting and collecting all available data.
- Key technology areas are in biology (including genetic engineering), materials (including nanotechnology and robotics), and information/communications.
- Embedded technologies allow unobtrusive devices to monitor and react to needed actions, reducing the need for human intervention for 'routine' activities.

The Facts

Private institutions of higher education spend $553 in technology per student while public institutions spend only $203 per student annually.

According to Educause, 6 technologies that will impact the higher education community over the next 5 years are: (1) Extended Learning, (2) Ubiquitous Wireless, (3) Intelligent Searching, (4) Educational Gaming, (5) Social Networks and Knowledge Webs, (6) Context-Aware Computing/Augmented Reality.

Over $2 Billion has been requested in the federal FY2005 budget for Internet 2 funding.

Over 2.6 million students took at least one online postsecondary course in 2004, a growth of 24.8 percent over 2003.

The top four issues for campus chief information officers included the implementation of administrative/enterprise resource planning (ERP) systems, funding for IT, infrastructure management, and security and identity management.

Technology is becoming ubiquitous across college campuses and has an impact in attracting and retaining students in such areas as: (1) Duke provides iPods to incoming students, (2) more campuses require or provide laptops, and (3) institutions provide downloading services at no cost to students to avoid legal hassles.

The Implications

New students have considerable experience with technology and what it can do. They will expect technology to be tightly integrated into their learning experience.

Technology costs will have to be managed closely. Limited resources will require creative ways of building partnerships among all interested parties.

Students are more computer literate than ever before, and an increasing avalanche of hardware and software products makes this an integral part of the educational experience.

University Five-Year Plans					
Topical Index to the University Strategic Issues					
2007-2011					
TOPIC	**NAU**	**ASU - Tempe**	**ASU - West**	**ASU - Polytechni**	**UA**
Major New Initiatives Section	**1**	**See University Narrative**			**1**
Academic Excellence / Undergraduate Education	**1**	**1**	**1**	**1,2**	**2**
Graduate Education	**1**	**1**	**1**	**1,5**	**2**
Academic Programs	**5**	**1,2**	**1,2**	**1,2**	**3**
Student Quality / Diversity / Access	**1**	**2**	**2**	**2**	**1**
Research	**2**	**5**	**5**	**5**	**2,3**
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Facilities, Building Renewal	**1,4**	**6**	**6**	**5,6**	**7**
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Faculty	**3**	**3**	**3,5**	**3**	**1**