NCHEMS Addendum to University of Alaska Cost Analysis Report

Methodology

The methodology employed in the analyses documented in this report:

1) Utilizes the data that are available from the Federal Government (IPEDS) and the University of Alaska.   IPEDS is the only available source of data about other institutions and systems and is an indispensable tool in financial analyses in higher education. It has the downside of being two years out of date so recent changes at UA institutions (or any other higher education institution) are not reflected in the data.
2) Recognizes that different systems organize their administrative functions in very different ways. Some centralize such functions in the System Office. Others centralize them at one (or more) of the constituent campuses. Still others devolve all (or some) of these functions to the individual campuses within the system. Decisions in this regard often reflect the manner in which the system evolved and the political cultures of the system and state government more than cost/benefit analyses.

Given this reality the analyses done for the University of Alaska address the costs of each campus, the costs of the System Office, and the total costs of the enterprise—System Office plus campuses. The focus of the study was specifically on administrative (institutional support) costs but costs of other function—instruction, research, public service, academic support, student services, and plant operation and maintenance—were calculated to provide context.

Institutional Expenditures per FTE Student

Institutional costs were calculated for two different peer groups. The first was the groups picked by the institutions themselves. For UAF, the academic and research groups were combined. The second group was selected based on size and Carnegie class as follows:

1) UAA
   a) FTE 5-15,000
   b) Carnegie class 18: Master's Colleges and Universities: Larger Programs
   c) Carnegie class 19: Master's Colleges and Universities: Medium Programs
   d) Carnegie class 20: Master's Colleges and Universities: Small Programs
2) UAF
   a) FTE <10,000
   b) Carnegie class 15: Doctoral University: Highest research activity
   c) Carnegie class 16: Doctoral University: Higher research activity

d) Carnegie class 17: Doctoral University: Moderate research activity
3) UAS
    a) FTE <4,000
    b) Carnegie class 19: Master's Colleges and Universities: Medium Programs
    c) Carnegie class 20: Master's Colleges and Universities: Small Programs
    d) Carnegie class 23: Baccalaureate/Associate's Colleges: Mixed Baccalaureate/Associate's
4) For each of these six groups, expenditures per FTE student were calculated for the UA institutions and for the averages of the peer group. The FTE student number used was the annualized FTE—total undergraduate credit hours/30 plus total graduate credit hours/24. Expenditures per FTE student were calculated for
    a) Instruction
    b) Research
    c) Public Service
    d) Academic Support
    e) Student Services
    f) Institutional Support (Administration)
    g) Plant Operations and Maintenance
    h) The sum of these seven functions (Total Expenditures)
5) For each of these categories and both peer groups the ratio of UA institution expenditures per FTE Student relative to group averages was calculated
6) Because Research represents such a large share of Total Expenditures, especially for UAF, these calculations were repeated for those expenditures that are more closely related to Instruction. The steps described in Steps 4 and 5 above were repeated for:
    a) Instruction
    b) Academic Support
    c) Student Services
    d) Institutional Support
    e) Plant Operations and Maintenance
    f) The sum of these five functions.

Shares of Institutional Expenditures

1) UA institutions have higher expenditures per FTE Student than their peers in total and in all functional categories. Because IPEDS data are not adjusted for costs of living in the locations of the institutions—and because costs of living in Alaska are high—additional analyses of expenditures were conducted. These analyses consisted of calculating **shares** of the expenditures in each functional category represented of the total expenditures—expenditures per FTE student in each category divided by total expenditures.

a) These calculations were made for each UA institution and for the averages of both of their peer groups. Particular attention was given to the share of total expenditures represented by expenditures on Institutional Support (Administration).

b) For each category, a ratio of UA institution share relative to group average share was computed. These computations were repeated for both peer groups for each UA institution.

c) The same calculations were repeated with Research and Public Service expenditures eliminated from the totals.

d) Interpreting the ratios calculated in b.) above: When the ratio is above 100%, the UA institution devotes a greater share of total expenditures to that function than peers. When the ratio is below 100%, the UA institution expends a smaller share on that function.

Systemwide Expenditures

The assessment of institutional expenditures is step one. The second step is to assess expenditures for the system as a whole—the System Office plus those for the three campuses combined. For the purpose of these analyses:

(1) IPEDS expenditure data, for each of the seven functions listed above and the totals, were summed across the three institutions and the System Office. These totals were divided by the Systemwide total of FTE students to determine Systemwide expenditures per FTE Student by function

(2) Similar data for two groups of comparison systems were compiled.   The group labeled as the Large Group is comprised of all public systems except those systems that include only two-year institutions (such as the Virginia Community College System). The group labeled as the Small Group was selected by NCHEMS from among the smaller systems in the Large Group. The systems included in each of these groups are enumerated in Figures A7 and A8 of the report.

(3) In each case the data for each expenditure category for the System Offices and all of the constituent campuses were summed and divided by the total number of FTE students.

(4) For each comparison group the value for UA is divided by the group average.

(5) These procedures were repeated with Research and Public Service removed from the calculation. The rationale was the same as stated previously—to focus on expenditures directly and indirectly attributable to Instruction and remove the anomalous results that occur because of the relatively high amount of research done by UA institutions (especially UAF) relative to the institution's size.

(6) As with the campus by campus calculations, shares of expenditures by function were calculated by dividing expenditures per FTE Student for each function by the total expenditures per FTE Student.

(7) To create comparative statistics for shares of expenditures devoted to each functional category, the UA shares were divided by the shares for each of the two comparison groups. This yields a picture of how the UA System utilizes its resources versus patterns in other systems. For those functions in which the UA System spends a smaller share of its resources than comparison systems the ratio is less than 100%. It is greater than 100% for functions on which the UA System spends a larger share of its resources than comparison systems.

System Office Expenditures

To round out the picture, an assessment of System Office expenditures was made. This took several forms:

i) A calculation of total System Office expenditures per FTE Student compared to average System Office expenditures for the comparison systems.

ii) A calculation of total UA System Office expenditures as a share of total system expenditures (System Office plus the sum of the campuses). The results of this calculation were compared with results of similar calculations for the two comparison groups.

iii) A calculation of System Office expenditures on Institutional Support per FTE Student compared to average Institutional Support expenditures per FTE Student for each of the two comparison groups. The focus on Institutional Support reflects the fact that almost all the UA System Office expenditures are in this category.

iv) A calculation of System Office expenditures on Institutional Support as a percentage of total system expenditures on this function. Similar calculations were made for the averages for the two comparison groups and the results compared.

Analyses of Staffing Patterns

Institutional Support expenditures include expenditures on many items that are not personnel related and for which prices are established by entities external to higher education—items such as insurance and risk management, IT licenses, broadband access, etc. Expenditures on these items are not reported in IPEDS. As an additional way of looking at administrative costs, NCHEMS reviewed staffing patterns at UA and the comparison systems. For these analyses,

NCHEMS focused on systems (System Offices plus the sum of all constituent campuses) and on just the System Offices. The following categories of personnel were included in the analyses:

1) Full-time faculty—instruction, research, public service professionals
2) Part-time faculty
3) Full-time Academic Support
4) Full-time Management
5) Full-time Finance
6) Full-time Computing/IT Professionals
7) Full-time Administrative Support

Part-time employees in categories other than faculty were not included in the analyses because experience indicates that there are very few such employees in most systems. The analyses involved:

1) Compiling data on numbers of employees in each category for each system and System Office for each of the two comparison groups
2) Compiling data on FTE Students in each system
3) Dividing number of FTE Students by number of employees in each system and System Office for each of the two comparison groups to determine number of FTE Students served per employee in each category.
4) Comparing UA values to comparison group averages by dividing UA values by the values for the comparison groups yielding a ratio of relative staffing intensity
5) In interpreting the results, ratios with values less than 100% mean that UA has more employees per student that comparison group systems. Ratios of greater than 100% indicate conditions in which UA has few employees per student than comparison systems.

A Look at Internal UA Data

While extremely useful, IPEDS data have their limitations, particularly with regard to the level of detail that can be investigated using these data. To overcome this limitation, data specific to the UA System were reviewed. Obviously, comparative data could not be developed within the constraints of this project, but the review did yield several insights about the administrative expenditures of the UA System and System Office. While the key observations are presented in the body of the report, they are elaborated below:

1) Approximately 1/3 of the System Office expenditures are "pass-through" expenditures—expenditures "bundled" by the System Office made on behalf of the campuses. This leaves less than $27 million of expenditures that can be attributed exclusively to the System Office.

These expenditures cover direct System Office expenditures and outlays for centralized services.

2) If these expenditures are not counted as System Office expenditures, the UA System Office expenditures as a share of total System expenditures is slightly below the average System Office shares for the comparison systems. Admittedly, other systems may also have such "pass-through" expenditures, but the extent of such expenditures is not readily knowable. Even if other systems have such expenditures, it is reasonable to conclude that the level of UA System Office expenditures is not out of line.

3) The expenditures that are made at the System Office can be categorized into two groups:
   a) Those made for functions that are specific to the System Office—President's Office, Board of Regents, Internal Audit, State and Federal Relations, University Budget, etc. These are uniformly small offices and most are smaller than they were 5-7 years ago.
   b) Those made for centralized services that serve the entirety of the System—the System Office and all of the constituent campuses. These are fewer in number but substantially larger in staff and expenditure levels. There are three functions that fall into this second category—Finance/Accounting, HR, and Statewide Networks.

4) These three functions employ almost ¾ of the System Office employees—146 out of the 202 employee count in 2020. If there are any meaningful cuts in System Office expenditures, they will have to be made in one or more of these three functions.

Interpreting the Findings

The final step in the process was to review the results of these analyses and draw a set of conclusions. In summary the conclusions are that:

1) Expenditures per FTE Student at UA are high in comparison to comparison groups
   a) Each of the constituent campuses
   b) The System Office
   c) The System as a whole—campuses plus System Office

   It is likely that some, but not all, of the difference can be explained by high costs of living in Alaska.

2) The same is true for expenditures on Institutional Support. Expenditures per FTE Student on this function are higher at UA than at comparison groups.

3) When shares of expenditures per FTE Student are analyzed:
   a) UA campuses spend a smaller share than comparison groups
   b) Total system shares are higher at UA than at either of the comparison systems

c) The UA System Office bears a higher share of total system administrative costs than is true for the average of other systems.

d) These data reflect UA choices that have centralized some functions leading to lower campus expenditures and higher System Office expenditures.

4) Staffing comparisons with other systems indicate that UA

a) Has more faculty—both full- and part-time—per FTE Student. As with administrative staff this can be partially explained by the fact that UA institutions are comparatively small for the breadth of their offerings.

b) Has fewer academic support staff.

c) Has more management staff. The fact that the difference is much less vis-à-vis small systems than large suggests that this is largely attributable to the very small size of the UA System. Systems have one President/Chancellor whether the system enrolls 17,000 students or 400,000.

d) Has fewer finance and IT staff.

e) Has more administrative support staff.

5) A review of internal UA data reveals that:

a) One-third of the expenses attributed to the System Office are expenses made on behalf of the campuses. Removal of this amount would put the UA System very much in line with other systems.

b) The core System Office functions—President, Board support, Internal Auditor, etc.—are leanly staffed. There are very few, if any, further savings to be wrung out of these functions.

c) The major expenditures in the System Office are made in support of three functions—Finance/Accounting, HR, and IT. HR has recently been centralized resulting in a cost savings of approximately $0.5 million. The other two areas are ones in which UA has made substantial cuts in recent years. Further, they are areas in which the data show UA to be staffed more efficiently than other systems. It is highly unlikely that cost savings can be realized by devolving these functions to the campuses.

The bottom line is that there is little to be gained by looking to the System Office as a source of substantial amounts of money that can be reallocated to instructional and other campus-based purposes.