

Redesign of the University of Alaska Administrative System

November 21, 1997

PASSED

"The Board of Regents receives President Komisar's recommendations regarding the Redesign of the University of Alaska Administrative System and the Creation of Administrative Service Centers; expresses its tremendous thanks to President Komisar for appointing the committee and for the work of Dr. Wadlow, specifically, and her committee for their very fine effort; and directs President Komisar to re-engineer functions and organize the administrative system according to the following seven points:

1. maintain a strong presidency with the ability to concentrate on policy issues but responsible to the Board of Regents for both the executive and service functions;
2. endorse the concept of a President's Council;
3. clearly distinguish between executive and service functions;
4. maintain a university-wide system that avoids unnecessary duplication to the maximum extent possible;
5. assure that re-engineering of functions and organization results in new reduction of executive/administrative costs of at least \$2 million per year for a total of \$10 million over the next four years beginning with FY99;
6. keep operational authority closest to customers; and
7. assure that this be done in a form in which actual savings can be projected and reported.

This motion is effective November 21, 1997."

Redman

November 11, 1997

To: Regent Sharon Gagnon, Chair, Planning and Development Committee
of the Board of Regents, and members:

Regent Chancy Croft
Regent Mary Jane Fate
Regent Mike Kelly
Regent Dan Ogg

And: Regent Michael Burns
Regent Elsa Froehlich Demeksa
Regent Joseph Henri
Regent Annette M. Nelson-Wright
Regent Joe Thomas
Regent Lew Williams

From: Jerome Komisar, President
Edward Lee Gorsuch, Chancellor, UAA
Marshall Lind, Chancellor, UAS
Joan K. Wadlow, Chancellor, UAF



Subject: Administrative Organizations and Processes

**Redesign of the University of Alaska Administrative System and the
Creation of Administrative Service Centers**

Introduction

This memorandum rests heavily on the extensive work and analyses of the "Committee on the Redesign of the System Office and Campus-based Administrative Cost Savings," chaired by Chancellor Wadlow. In addition to the thorough and thoughtful work of that committee, the following recommendations have benefited from public comments, discussions of the Board of Regents Planning and Development Committee, and discussions among its authors. Our goal is to offer to the Board of Regents an administrative structure that can develop and implement coordinated solutions to administrative requirements; solutions that offer significant improvements in administrative services while allowing the University to devote more of its resources to its multiple academic missions.

Background

Recent reductions in State appropriations and the constant inflationary erosion in the real value of the University's revenues have caused severe financial strains. These strains are unlikely to be relieved in the near future. Even if the University were to experience General Fund increases equal to the rate of inflation, it would still not be able to adequately fund both existing academic programs and critical new academic initiatives. To protect scarce instructional resources, the University must dramatically alter how administrative services are delivered by the system and the campuses. These changes must not only lower the cost of existing services, they must establish an organizational structure and culture that demands efficiency and effective service delivery.

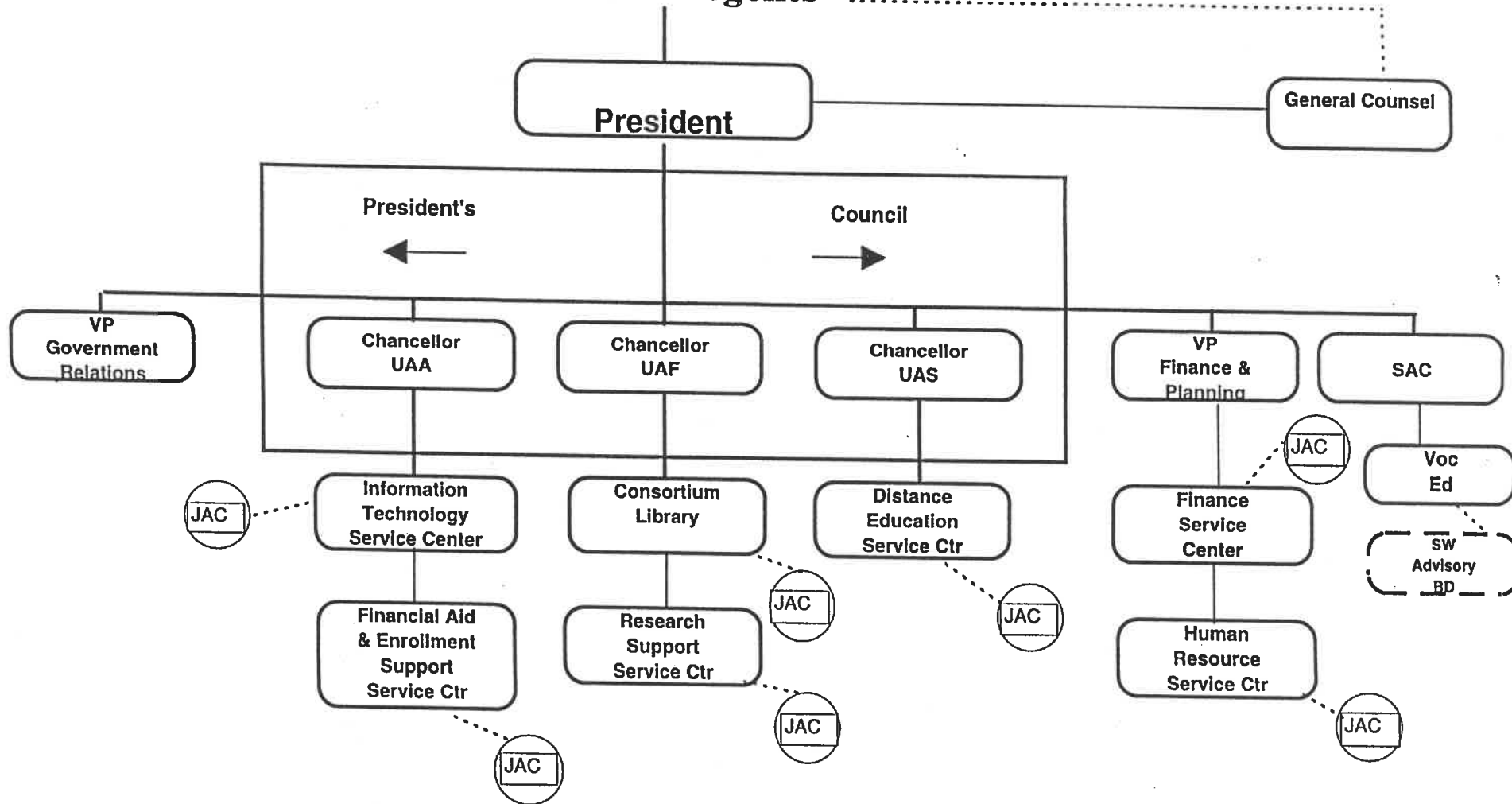
In putting these recommendations together we used the following tenets to establish an administrative structure, which, while emphasizing collaboration and teamwork, will have clear lines of accountability and reporting responsibility:

- A strong presidency and a lean executive staff.
- The chancellors, in conjunction with the president, will continue to form the core of the University's executive team, but the new structure will formalize their roles.
- The chancellors' responsibilities will extend beyond the boundaries of their own campuses and involve both specific and general systemwide responsibilities.
- Organizational structures and administrative processes will promote improved services at lower cost, often by emphasizing collaboration and coordination.
- All service centers will report to a senior executive not a committee.
- All service centers will have an advisory oversight committee of major "customers" of the centers.

The President's Council and Staff

Contemporary organizations -- in commerce and the academy -- depend upon such an extraordinary combination of highly technical and general skills that teamwork has become a common feature of management and collaborative processes an essential ingredient. Successful organizations must depend on system thinking and shared responsibility rather than on top down revelations. At the same time firm lines of authority, responsibility, and accountability have to be maintained. This

Board of Regents



combination of system thinking and clear accountability are particularly important in the University of Alaska where size alone demands collaborative approaches and public accountability is of utmost importance.

To balance the competing needs of group decision making and definite lines of authority, we recommend the establishment of a President's Council composed of the president and the three chancellors. The Council is designed to enable strong presidential leadership and accountability while formalizing the relationship between the president and the chancellors. The chancellors, working together as the President's Council, will serve as the primary advisors to the president on matters related to overseeing the University of Alaska system.

The system office staff, reporting to the president but also serving as staff to the President's Council, will be comprised of three senior leadership positions: a vice president for University relations, a vice president for finance, and the University's general counsel. The Systemwide Academic Council (SAC) comprised of the chief academic officers from each of the three MAUs will continue in their collective role as the academic officer for the system office. The Office of Human Resources will continue to report to the president with the expectation that major changes will evolve as it defines its operations and administrative services as part of the human resources service center. Other functions of the system office, such as land management and the regents' office will continue to report as they do now. All administrative activities, both on the campuses and in the system office, will be expected to undergo further cost evaluations. Additional savings targets will be developed and reported to the Board of Regents.

Service Centers

In line with recommendations from Chancellor Wadlow's committee and the 1992 work of George Kaludis, we are recommending the establishment of a number of "service centers" to perform essential University functions at high quality and reasonable cost. All resources from the system office and the campuses which are used in performing similar and overlapping functions will eventually be responsible to a single service center which will assume responsibility for delivering those services throughout the system. A joint advisory council (JAC) for each service center will be appointed by the president in consultation with the President's Council. The JAC will help develop the operating principles and priorities for the center and provide oversight for the management and delivery of services systemwide. Although line responsibility for the service centers will be assigned to one of the chancellors or to the vice president for finance, the personnel assigned to the service center may be located at one or more sites. It will only be centralized if that proves to be the most cost effective mode of delivery.

A service center is not a geographic location. It is a "horizontal" administrative structure that joins employees doing similar work at the several "vertical" structures of the University. What is sought is a "learning organization," to use the current vernacular of management theory: a grouping of people responsible for similar functions; a grouping that can build a shared vision and adapt or invent new procedures to provide better services at lower cost. The key element of the service centers is that resources will be jointly managed for delivery of services throughout the system. It is expected that savings can be generated through integration, outsourcing, and the realization of economies of scale through increased coordination.

These service centers will use the most cost effective approaches to the delivery of services. Their cost and effectiveness will regularly be measured against national standards -- those of industry as well as the academy.

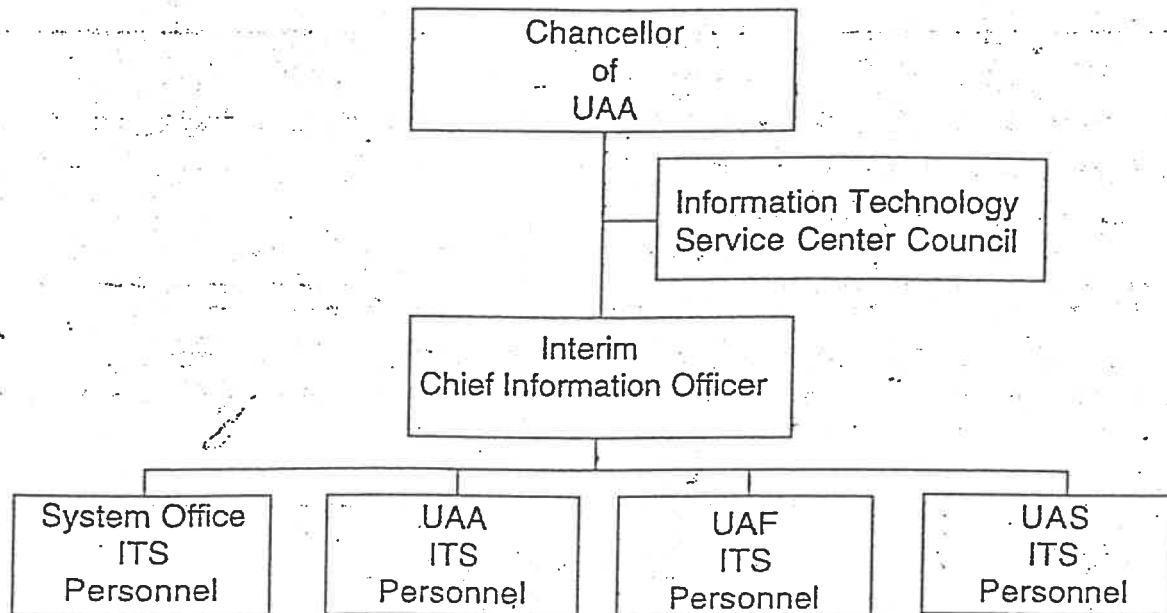
The types of service centers that we expect to establish and the reporting responsibility follow:

UAF Chancellor	UAA Chancellor	UAS Chancellor	Vice President Finance
Research Support Consortium Library	Information Tech. Financial Aid and Enrollment Support	Distance Delivery	Finance Human Resources

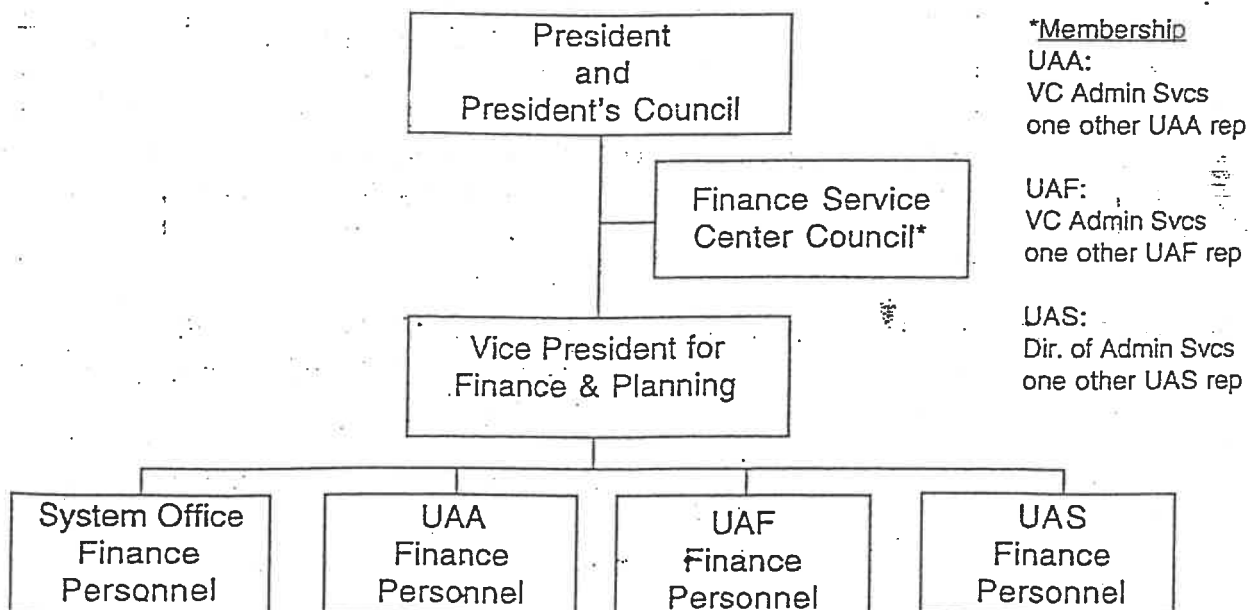
The initial phase of the proposed change in systemwide administrative responsibilities will involve the transfer of the information systems and telecommunications services to a campus-based information technology services center reporting to the UAA chancellor. A consortial approach to building and maintaining the University's libraries will be put in place, with that service center reporting to the chancellor at UAF. Additionally, a research support service center will be established and will report to the chancellor at UAF. The University's growing efforts in distance education will be administered through a service center that reports to the chancellor of UAS, with the System Academic Council (SAC) forming the backbone of this service center's advisory group. The finance service center and the human resources service center will report to the vice president for finance. As fiduciary and organizational issues are reviewed in more detail, finance and human resources functions will be transferred to campus based service centers reporting to a chancellor.

EXAMPLES OF SERVICE CENTERS

University of Alaska Information Technology Service Center



University of Alaska Finance Service Center



Immediate and Future Savings

We expect that the new organizational arrangement will allow the University to shift more of its limited resources to its academic missions. The anticipated administrative costs of the new structure, using FY98 as a base, and assuming a General Fund allocation from the State that keeps up with inflation, will allow the University to invest an additional \$4,000,000 to \$6,000,000 a year, by FY02, in its instructional, research, and service missions.

Of the \$6,000,000 goal, \$4,000,000 will be accomplished by fiscal year 2000 in the following manner:

	FY99	FY00	FY01	FY02	Total
Information Technology	\$1,050,000	\$850,000	0	0	\$1,900,000
Finance & Human Resources	450,000	650,000	0	0	1,100,000
Other System and Campus Operations	500,000	500,000	1,000,000	1,000,000	3,000,000
TOTAL	\$2,000,000	\$2,000,000	\$1,000,000	\$1,000,000	\$6,000,000

The final \$2,000,000 identified to be available for reallocation to academic programs, information technology, or to meet unfunded fixed cost increases -- \$1,000,000 in FY01 and \$1,000,000 in FY02 -- will come from RIP program savings, outsourcing, and the increased use of the service center model.

Additional reductions in administrative costs will occur as the concepts presented in this memorandum and other ideas are adopted by the University's extended campuses. However, the work of the committee appointed to examine the costs and organizational structure of the extended campuses, chaired by Chancellor Lind, is still continuing and it is too early to include the results of its effort in the above analysis.

Conclusion

The University of Alaska is an effective, hard working organization. But greater efficiency and effectiveness must be achieved. A coordinated systemwide focus, with its promise of reduced costs, is currently hampered by the University's administrative structures. Existing managerial designs tend to create redundant administrative processes and offices, and bring with them the diseconomies that accompany small size. By shifting more accountability for systemwide coordination and performance to the chancellors and other campus officers -- to offices that both consume and perform administrative services -- savings will be achieved. Service centers will minimize duplication of functions among the system office and the three

MAUs while maintaining a close connection between service consumers and service providers.

The effectiveness of this model arises from continuing the president's strong authority to enforce accountability for system performance, both in structure and in practice, and in subordinating the service centers to the supervision of the systems chief operating officers.

cc: Members of the Committee on the Redesign of the System Office and Campus-based Administrative Cost Savings: Joan Wadlow, Chair, David Creamer, Michael Rice, Carol Griffin, William Rose, Frank Williams, John Pugh, Donald Behrend, and staff to the Committee: John Leipzig, Stan Vaughn

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Final Report
of the Committee on the Redesign of the System Office
and Campus-based Administrative Cost Savings

November 10, 1997

**COMMITTEE ON REDESIGN OF THE SYSTEM OFFICE
and
CAMPUS-BASED ADMINISTRATIVE COST SAVINGS**

FINAL REPORT, NOVEMBER 10, 1997

EXECUTIVE SUMMARY

To achieve both cost savings and better service, the University of Alaska should redesign the system structure to strengthen the Presidency by creating a President's Council composed of the President and the three campus Chancellors. The new structure presents enhanced opportunities for the President to provide visionary leadership in coordination with the Chancellors in their role as chief operating officers of the campuses. These enhanced opportunities will result in a more consistent and strategic focus for the University, a coordinated response to regional, state, and national issues, and will better meet Board of Regents purposes, principles, and priorities. This new structure would result in a leaner system office and the transfer of certain roles and functions to a stronger President-led President's Council which is closer to the University's students and the public. This change will consolidate and clarify many functional responsibilities and reduce costs.

In making these changes it is expected that the University will strengthen its capacity to meet expectations for quality service, reasonable cost, and accountability now and in the future. This new direction requires the University to redirect most essential administrative functions to campus Service Centers and systematically examine every administrative process from the ground up. The Service Centers will be user friendly, service oriented and will be managed jointly by the three main campuses using coordinative and consultative styles. These Centers will meet national performance standards, and they will adopt incentives to encourage the use of cost-saving methods such as outsourcing and partnerships with non-university entities. The Service Centers and the campuses would reexamine each administrative transaction, sometimes called reengineering, with the intent of saving more money by simplifying work, streamlining processes, continuously improving services, and moving decision making to the most appropriate level. The results of these efforts would reduce or avoid costs over the long term beyond what has been identified in this report.

These findings coincide with national directions where industry and universities are replacing traditional hierarchical organizational structures with a model which emphasizes the client, the team environment, and basically doing business differently. The changes are also consistent with the recommendations of the 1992 Kaludis Management Study at the University of Alaska which called for a separation of executive functions from service functions. Based on work to date, the committee believes that the proposed redesign will not only work but is consistent with the Alaskan setting.

The committee expects both short and long term results. They include administrative streamlining; functions being performed closer to the users, especially students; greater economies of scale; greater depth of expertise to handle increasingly complex processes; a focus on teamwork both within and between campuses; better use of modern technology; and a larger participatory role for all employees. Savings of nearly five million dollars are expected from administrative reductions in the system office and at the campuses. Additional savings and avoided costs are expected to accrue beyond the current horizon as a result of the new environment created by these changes.

OUTLINE OF REPORT

This report, which follows the Executive Summary, is organized as follows:

- Tasks, Assumptions and Principles
- Strengthening the Presidency Through a Redesign of the System Office
- Functions Which Will Remain in the Statewide Office
- Service Centers
- Fitting the Human Resource Function into the Service Center Model
- Organizational Charts
- Summary of Cost Savings at Statewide and the Campuses
- Possibilities for Additional Savings
- Methodology

TASKS, ASSUMPTIONS AND PRINCIPLES

On July 22, 1997, the President announced the establishment of the committee now known as the Committee on the Redesign of the System Office and Campus-Based Administrative Savings. The committee was charged in an August 26, 1997, letter addressed to the University of Alaska community to:

1. "Recommend potential savings through changes in the role and mission of the System Office and campus administrative processes" and
2. To conduct "a more thorough examination in the potential savings through greater centralization or decentralization of administrative procedures."

Though the committee took comfort in the comment made by George Kaludis to the BOR Planning and Development Committee that "we are not a wasteful" university, the committee tried to find \$6 million dollars in administrative cost savings over a three year period. The committee assumed that it should try to come as close as possible to this figure in view of BOR discussions in August and because more savings in administrative costs would mean fewer cuts in academic programs. Another assumption was that recommendations should achieve both cost savings and better services; these became twin principles which guided the deliberations of the committee. As another guideline, the committee used the recommendation from the 1992 Kaludis Report which called for a "lean, core executive function of the Statewide Administration which separated the executive and service functions financially."

The committee also assumed that the changes should take into account and benefit from the current experiences of other universities and businesses. We found from an analysis of the structure of other systems that there was not a single trend for organizing systems. The committee did not find any one system which compared well with the UA system and not one of the systems studied placed as much emphasis on saving money as we were instructed. In fact, none of the systems studied reported immediate cost savings due to their restructure. Accordingly, the committee pressed hard to find other innovative ways to do business.

In reviewing practices elsewhere, the committee also found that many management and cost containment ideas have been implemented while others are currently being considered by different UA campuses. The overriding conclusion of the committee is that the current structure and management philosophy have been and continue to be

deterrents to change. The committee believes these recommendations will change this state of affairs. These recommendations are based on the assumption that the University needs a management and operating philosophy which stresses service and simplifies transactions while sharpening accountability.

STRENGTHENING THE PRESIDENCY THROUGH A REDESIGN OF THE SYSTEM OFFICE

Maintaining Presidential authority as established by the Alaska Constitution and Statutes, the committee recommends a refocusing of the role of the Presidency which places more emphasis on developing and presenting the strategic visions of the University and relations with the Board of Regents as well as even stronger representation of the University in the state and nationally. A shifting of most administrative functions to the campus management will allow more Presidential time for strategic priorities. The core President's Council would consist of the President and the three Chancellors who would now have University-wide responsibilities, such as coordination, along with their responsibilities as campus CEOs. Such a change is consistent with Dr. Peter Magrath's recommendations at the BOR retreat in 1994. Dr. Magrath, President of the National Association of State Universities and Land-Grant Colleges, recommended support for "a strong President and strong Chancellors" along with a "coordinated, but not single University" (BOR official minutes, January 1994). The President would lead the President's Council and the four members would consult weekly.

Operating as a team, the President's Council would concentrate on implementing BOR priorities and UA strategic objectives. Since these objectives would be developed jointly by the President and the three Chancellors, there would be improved communication and coordination between the Statewide office and the campuses, a subject of concern to the committee and others. Since the President appoints the Chancellors, he/she retains line authority over the Chancellors and their subordinates. By formalizing the role of the Chancellors as members of the President's team, it also clarifies the cross-university responsibilities of the Vice Chancellors and Provosts and frees more of their time to spend on achieving effective coordination among the MAUs, including better communication with and mobilization of their campus constituencies.

FUNCTIONS WHICH WILL REMAIN IN THE STATEWIDE OFFICE

The committee recommends that the following functions remain in the redesigned Statewide office: Legal services, auditing, labor relations, Regents' affairs, budgeting/comptroller, public/governmental affairs, land management, planning and academic support, institutional research and system governance. While these functions would be centralized at the Statewide office, none need to be headed by a person at the Vice Presidential level, although existing Vice Presidential positions would continue until transitions are completed.

All other service functions will remain at or shift to the campuses or will be transferred to jointly managed Service Centers.

SERVICE CENTERS

Service Centers are jointly managed entities dedicated to providing commonly required functions in timely, effective, and efficient modes. These user friendly Centers are responsible to the customers they serve, especially university students. They provide avenues for input about the quality of service received while maintaining institutional accountability. A change to a Service Center model is a fundamental shift from a control to a service orientation.

A director or similar position would be responsible for the operation and functioning of each Service Center. The directors will be accountable to the President's Council through an appointed management board. Responsiveness to all University constituents would be ensured through annual performance evaluations of the directors that measure the productivity and quality of service.

Funding for the Service Centers would be derived from existing Statewide and campus resources for each of their identified functions and would flow from each individual MAU and Statewide on an agreed upon formula for the services received. Since on going funding for the service center will come from MAUs, the preparation of both annual operating budget and request budget will be done in consultation with the campuses and be included in the current BOR process. This would require an apportionment to the MAUs of Statewide resources net of initial savings from restructuring. The Service Centers are envisioned to be highly responsive, accountable, and service oriented in approach. It is also expected that the Service Centers will utilize whatever delivery methodologies are appropriate to provide the highest level of service at the least cost. Services provided will be compared to rigorous national performance standards. Each campus would annually review the service received and will set the expectations for the following year. This, plus financial accountability through the budget, will ensure that service to each campus is responsive throughout the system.

UA INFORMATION TECHNOLOGY SERVICE CENTER (ITSC)

I. Mission

The mission of the University of Alaska Information Technology Service Center (ITSC) would be to efficiently and effectively deliver information technology services to the University of Alaska in support of academic, teaching, research, student affairs, and administrative programs and systems.

II. Functions

Service functions provided by the ITSC would include:

- A. Support and development of all BANNER products including finance, human resources (HR), and student information (SI) including centralized hardware and help desk functions
- B. Audio conferencing
- C. Video conferencing
- D. Production support for human resource functions including payroll checks, forms, etc.
- E. Data warehousing and management (particularly in support of institutional research)

- F. Technical support of distance delivery and educational technology applications
- G. Wide area network
- H. Support of library systems

III. Savings and Service

Savings are derived from levels of accountability to the users, streamlined processes, completed migration away from the IBM platform, full implementation of the BANNER system, reevaluation of audio and video conferencing, and selected outsourcing and partnering. Service would be enhanced by significantly increasing the level of accountability to those receiving the service and by funding the service center through the MAUs and Statewide.

IV. Timetable for Implementation

December 1997	Formulate the Joint Management Council
February 1998	The Joint Management Council: <ul style="list-style-type: none"> • Appoints an interim director • Reviews and refines functions of center • Defines the permanent director's position • Identifies specific FY1999 savings
April 1998	The Joint Management Council begins formal recruiting for a new director
July 1998	The Service Center begins operation by June 30, 1998
September 1998	The Joint Management Council employs a new director
December 1998	The Service Center identifies FY2000 and FY2001 preliminary savings targets

UA FINANCIAL AND HUMAN RESOURCE SERVICE CENTER (FHRSC)

I. Mission

The mission of the University of Alaska Financial and Human Resource Service Center (FHRSC) would be to efficiently and effectively deliver financial and human resource services to the University of Alaska in support of academic, teaching research, student affairs, and administrative activities.

II. Functions

Service functions provided by the FHRSC would include:

- A. Payroll and benefits accounting
- B. Fund accounting
- C. Cash management and treasury/foundation and tax accounting
- D. Cost accounting
- E. Advance College Tuition
- F. Benefits administration
- G. Debt management
- H. Risk management

III. Savings and Service

Savings are derived from higher levels of accountability to the users, streamlined processes, selected outsourcing and partnering. Service would be enhanced by significantly increasing the level of accountability to those receiving the service and by funding the Service Center through the MAUs and Statewide.

IV. Timetable for Implementation

February 1999	The Joint Management Council: <ul style="list-style-type: none">• Appoints an interim director• Reviews and refines functions of the center• Defines the permanent director's position• Identifies specific FY2000 savings
April 1999	The Joint Management Council begins formal recruiting for a new director
July 1999	The Service Center begins operation by June 30, 1999
September 1999	The Joint Management Council employs a new director
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FITTING THE HUMAN RESOURCE FUNCTION INTO THE SERVICE CENTER MODEL

The Statewide Office of Human Resources (SWOHR) has functioned as an umbrella for the overall administration of Personnel and Labor Relations for the University of Alaska. This section has been responsible for the primary development of personnel and labor relations policy development for the system. In addition, the section handles benefits administration, payroll/benefits accounting, and Human Resources Information System administration (BANNER HRIS). The Statewide office also functions as a personnel office for the recruitment and hiring of Statewide personnel.

The committee reviewed the present function of the SWOHR in light of the goals of the RSO to refocus the Statewide office to core functions and to redirect the most essential administrative functions to jointly managed campus-based Service Centers. The committee adopted an additional goal, related specifically to human resource functions, which was "to provide quality service to employees as close to their work location as possible."

With these goals in mind we make the following recommendations:

Personnel

The overall administration of the University of Alaska Human Resources system should be redirected to the Service Centers and the MAUs. While the President's Council and the Board of Regents are responsible for the development of Statewide policies related to personnel and labor relations, the Service Centers and the MAUs, with their staffs, will be responsible for implementing these policies. Once the Financial and Human Resource Service Center is established these functions will be moved into that Service Center eliminating the position of an Executive Director.

The personnel functions related to the recruitment and hiring of Statewide positions should be transferred to the campus Human Resources Office where Statewide

resides (currently UAF). This recommendation is consistent with the 1992 Kaludis Report and the Statewide Program Assessment Committee Report.

Labor Relations

Given the present status of labor relations at the University of Alaska, for the near term, the labor relations function will remain in Statewide at the present staffing levels. The labor relations functions should be reviewed in two to three years as the University's labor contracts mature.

Payroll/Benefits Accounting

Under the present payroll system, the present staffing levels are necessary. Those functions related to applications should be transferred to the Information Technology Service Center while those functions related to payroll/benefits accounting should transfer to the Financial Service Center.

The Statewide Financial Council will initiate a review of the payroll processing function with the goal of implementing paperless timesheet processing as soon as possible. The director of the SWOHR and the campus financial officers agree that there are some savings to be gained from a reengineered payroll process. As process changes are explored, it is anticipated that efficiencies can be made throughout the payroll processing activities which will provide for future staffing reductions.

Benefits Administration

The committee's review found this function to be efficiently administered with the two statewide portions but recommends the function be transferred to the Finance/Human Resource Service Center which the RSO recommends be operationalized by July 1, 1999. Discussions should happen immediately with the Department of Administration to see if there can be savings through a joint consulting contract for actuarial and utilization information. The committee also recommends that in the future the University of Alaska should explore joining the State of Alaska health plan which would ease the transition to a flex benefit program and allow for further savings in benefit administration. A joint plan could result in a savings due to the elimination of dual actuarial consultation contracts.

Affirmative Action/Americans with Disabilities Act

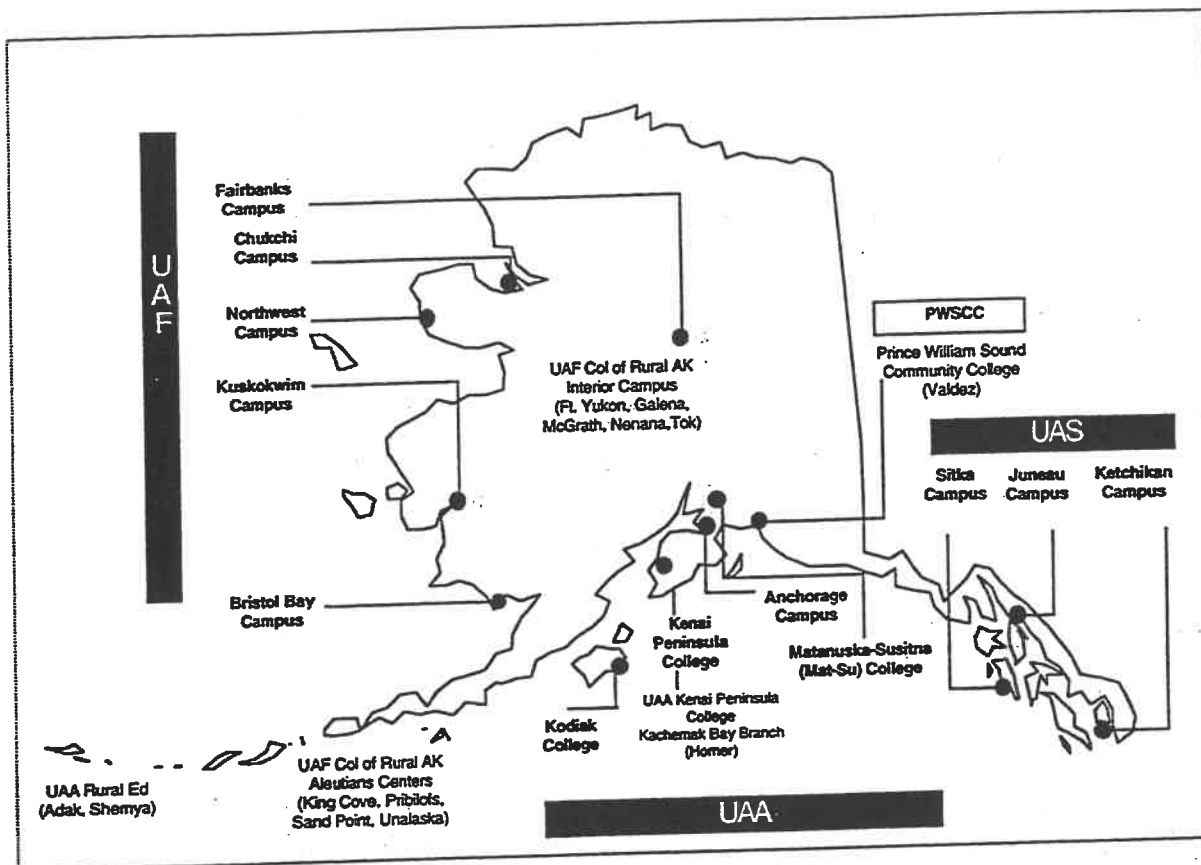
The coordinator position for this function is currently vacant. This function will reside at the MAU/campus level since most requests for accommodation are at this level. The coordinator's position will be eliminated.

Timeline for Implementation

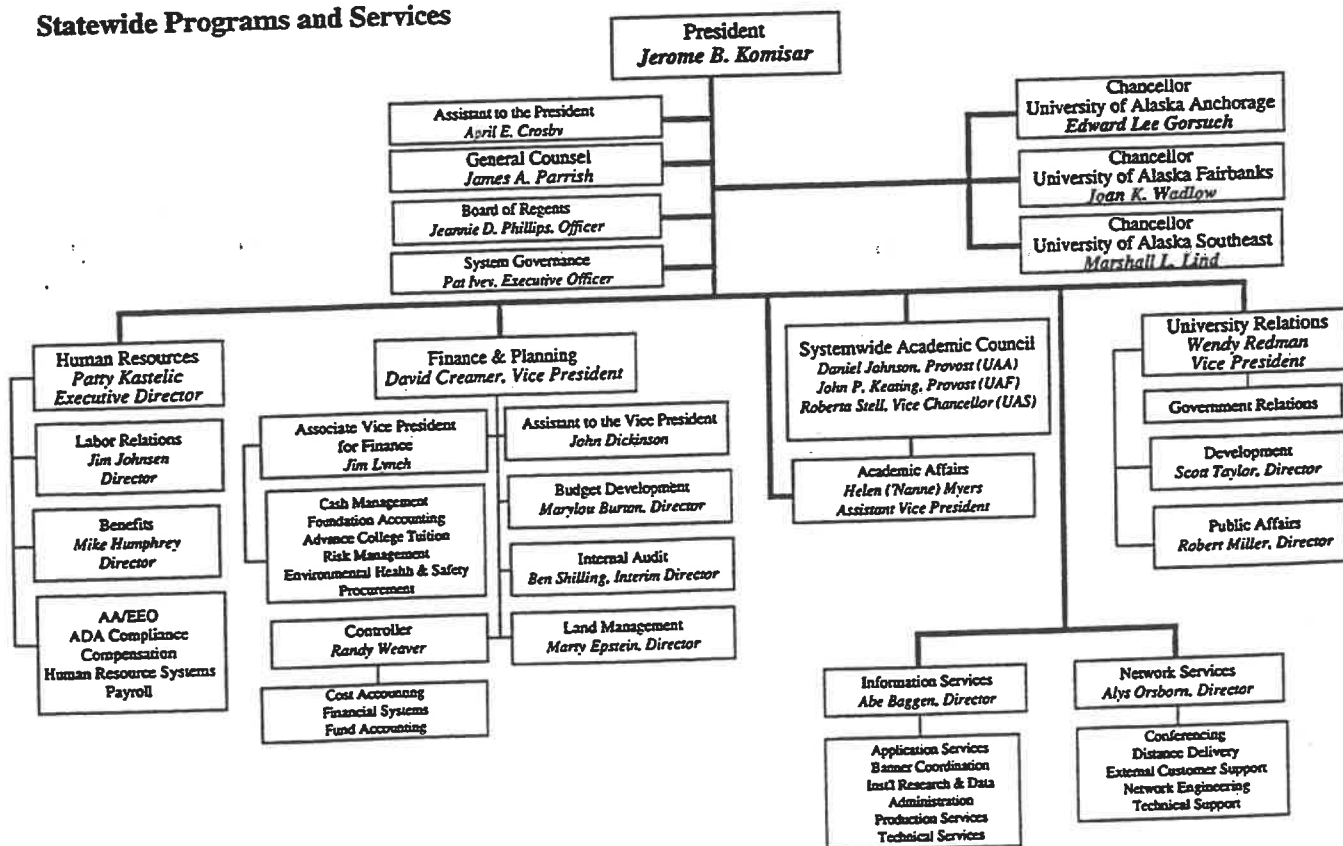
These changes should be implemented in concert with the timelines for the two Service Centers.

UNIVERSITY OF ALASKA STATEWIDE SYSTEM OF HIGHER EDUCATION

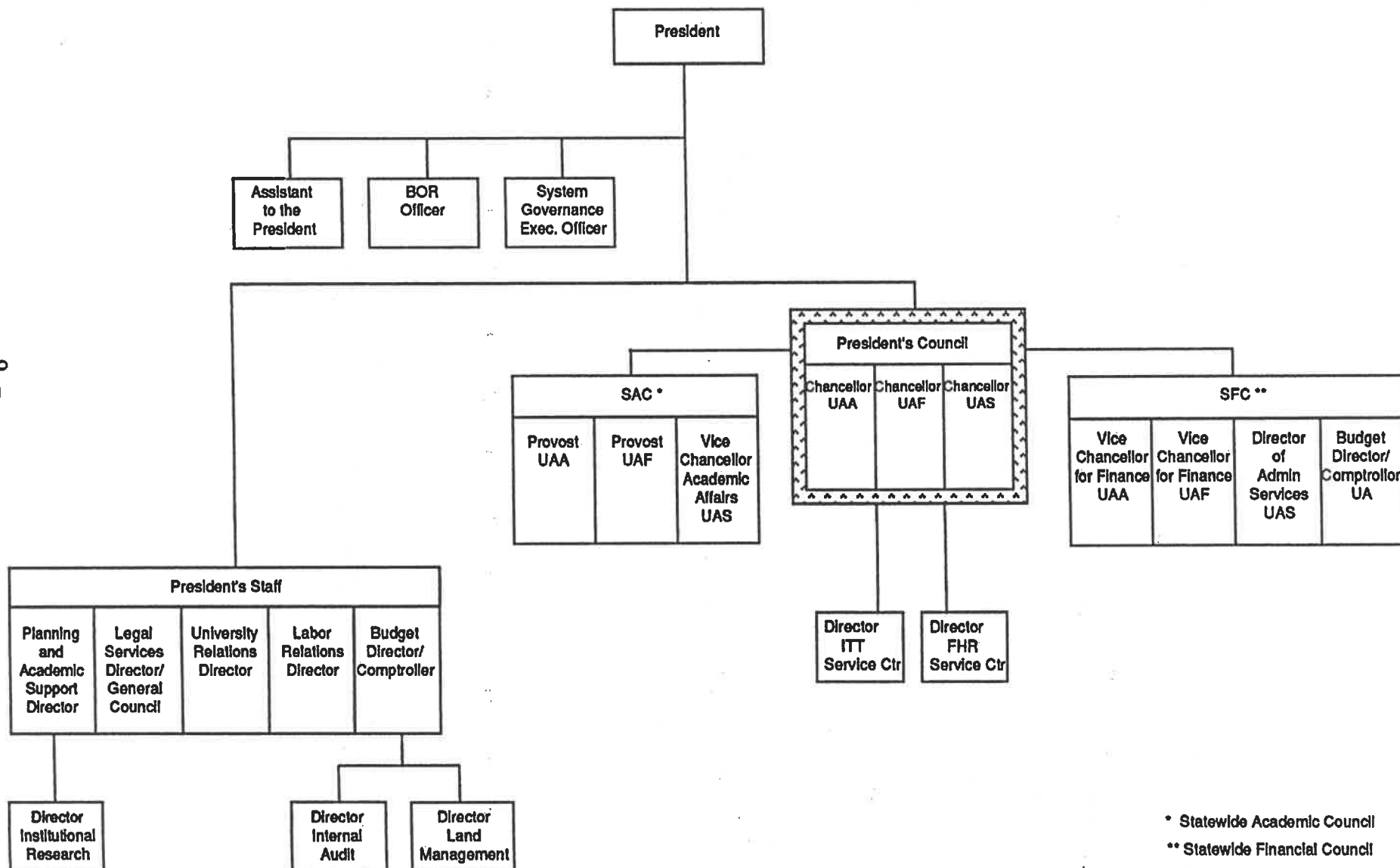
University Campus, Community College and Rural Sites



Statewide Programs and Services



STATEWIDE PROGRAMS AND SERVICES (New Organizational Chart)



* Statewide Academic Council

** Statewide Financial Council

October 31, 1997

SUMMARY OF COST SAVINGS IN STATEWIDE ADMINISTRATION AND THE CAMPUSES

The committee expects to save \$4 million in administrative costs if its recommendations are implemented. Most of these savings consist of direct cuts in Statewide administrative costs together with an assessment on the three main campuses which additionally must absorb and perform more essential functions. Most savings will be realized after three years.

The committee was reluctant to identify particular positions given the conceptual nature of the report. Nonetheless, the committee identified a number of positions which would be eliminated at statewide and at the campuses that would accomplish these savings.

Savings Estimates and Explanation

1. Statewide Office savings ————— \$3 million

Substantial components of these savings come from reductions in finance, information technology and related functions, offset by up front costs of a pay differential for Comptroller. Other reductions include cuts in human resources in addition to reductions in information systems and networks offset by up front costs of hiring a chief information officer. Finally, the elimination of the vocational education council whose function will be undertaken by campus-based councils to get local input coordinated by the SAC.

2. Campus Administrative savings ——— \$1 million

An additional cut using the FY1998 budget of the MAUs:

UAF ——— \$537,000
UAA ——— \$378,000
UAS ——— \$85,000

Outsourcing possibilities will account for some savings by campuses, the system and service centers. The committee learned that 54% of colleges and universities in a recent survey indicated that the use of contract services was expected to increase nationwide.

Following are a list of areas that will be reviewed for outsourcing:

1. Food contracts UA-wide
2. Custodial services
3. Garbage collection
4. Sewer
5. Book store operations
6. Printing and duplicating management
7. Snow removal
8. Police and security services
9. Campus power generation
10. HVAC maintenance
11. Payroll preparation
12. Transportation/bus services
13. Window washing
14. Mail services (note impact on student jobs)
15. Enrollment services (selected)
16. Land management

17. Claims administration
18. Wide area network
19. Telecommunications
20. Grounds maintenance (note impact on student jobs)

3. Additional System Cost Savings————up to \$1 million

- A. A portion of this additional \$1 million will be realized at the end of FY2000 when UA no longer pays employer contributions to the 1996-97 RIP retirements. Only the RIP positions in administrative service positions are calculated for this savings.
- B. The committee recommends exploring the following current administrative cost expenditures for potential savings: (1) cost reductions by partnering with other entities, such as the state, in performing specific UA-wide functions; (2) reducing the administrative costs in the system office of statewide governance considering the recent changes in labor relations that reduce the scope of subjects that faculty and staff address through shared governance; (3) savings through UA-wide Enrollment Services (early discussions with Kaludis and Associates indicated the possibility of savings through some consolidation, but reference materials needed for committee consideration did not arrive in time); and (4) possible administrative cost reductions in the administrative costs in the campus Student Services, an area not explored by the committee.

Note: the committee did not explore administrative costs in academic units or in student services.

POSSIBILITIES FOR ADDITIONAL SAVINGS

The committee originally was asked to explore mergers of the Presidency with a campus. The committee conducted this task along with exploring other radical changes. (A summary of the committee findings about these options follows, and the committee's Working Paper on mergers is located in Appendix F.)

1. Mergers of Presidency with campus Chancellorship

- A. Statewide with UAS: Felt to be least disruptive of the three options because the campus operations are less complex. This option would place the Statewide Administration closer to the seat of government and would avoid energizing the Anchorage/Fairbanks competition.
- B. Statewide with UAA: Would be more disruptive than option A but would place the Statewide Administration in the population center of Alaska. The Anchorage area would give more opportunities when it came to outsourcing and recruitment.
- C. Statewide with UAF: Would be the most disruptive of the three options due to the complexity of the campus. On the other hand, the physical transition would be easiest because it is the traditional home of the Statewide Administration; as UAF is the major research institution, it would be in keeping with other systems that adopted this model. Keeping the President

in Fairbanks would maintain the strong support for the University which currently exists in the area.

2. Other Structural Changes

- A. No Statewide Administration - decentralize all functions to the campuses. This option would require a constitutional and a statutory change to become operational. Additionally, it would increase costs for Regents' staff due to increased coordination between MAUs. This option would institutionalize competition between the MAUs.
- B. Eliminate Chancellors - centralize the top administrative function. The President would lose local expertise provided by Chancellors and the communities would lose the influence of a local chancellor. Location where the President resides could be open to favoritism arguments. Additional back door costs are likely as the President will need to have assistants on the campuses since the workload would be so high.
- C. Eliminate Campus Financial Officers. Strong expertise is needed during tough financial times. These officers also have line functions for which someone must have responsibility. External funding opportunities like the Coal Water Project and benefits associated with the aggressive pursuit of financial management options would be lost.
- D. Have a rotating Presidency. Lack of stability would hamper the strategic leadership for UA. It is doubtful that many top administrators would desire such a position. Too tactical of a position that would also lower service from the Chancellor whose turn it was to be President.

3. Sponsored Research

Develop a Statewide Research Foundation for sponsored research. This non-profit foundation would facilitate all sponsored research administration from pre-proposal through post grant/contract accountability. Considerable concern was expressed by a number of constituencies involved with sponsored research which requires thoughtful review and collaboration prior to a specific proposal for a separate entity being forwarded for BOR consideration. (A working paper on the University of Kansas Research Foundation is located in Appendix H).

**COMMITTEE ON THE REDESIGN OF THE SYSTEM OFFICE AND CAMPUS-BASED ADMINISTRATIVE COST SAVINGS
EXECUTIVE SUMMARY: FUNCTIONAL COST TABLE**

Function or Unit	FTE>>>>		Expenditures>>>>		Total	Funding Source>>>>		Total	GF as a % of Total
	Reg.	Temp.	Pers. Svcs	Non-Pers. Svcs		GF	Non-GF		
TOP LEVEL EXECUTIVE MANAGEMENT	18.25	1.45	1,534.7	647.5	2,182.2	2,180.1	2.1	2,182.2	99.90
GOVERNANCE	6.75	1.69	383.3	115.1	498.4	498.4		498.4	100.00
GENERAL COUNSEL & LEGAL FEES	7.00		578.1	384.4	962.5	962.5		962.5	100.00
FINANCIAL EXECUTIVE MANAGEMENT	13.58	0.08	1,042.6	309.6	1,352.2	1,019.5	332.7	1,352.2	75.40
ACCOUNTING & GENERAL BUSINESS	97.20	8.26	5,036.5	1,060.1	6,096.6	5,040.6	1,056.0	6,096.6	82.68
PROCUREMENT & PROPERTY	32.55	6.86	1,729.2	181.7	1,910.9	1,406.2	504.7	1,910.9	73.59
MAIL SERVICES	9.40	3.47	400.2	142.4	542.6	308.9	233.7	542.6	56.93
BUDGET DEVELOPMENT	10.13	0.20	682.4	61.9	744.3	686.9	57.4	744.3	92.29
RISK MANAGEMENT	14.00	1.50	1,002.5	4,633.5	5,636.0	681.5	4,954.5	5,636.0	12.09
INTERNAL AUDIT	3.00		195.0	27.7	222.7	222.7		222.7	100.00
LAND & PROPERTY MANAGEMENT	9.75	1.00	667.7	2,039.6	2,707.3		2,707.3	2,707.3	0.00
FACILITIES MGMT & OPERATION	247.00	15.00	11,559.8	13,448.6	25,008.4	21,612.5	3,395.9	25,008.4	86.42
SAFETY & SECURITY	47.75	19.27	2,855.3	598.0	3,453.3	2,124.6	1,328.7	3,453.3	61.52
HUMAN RESOURCES & LABOR RELATIONS	50.94	5.12	2,824.6	508.7	3,333.3	2,826.2	507.1	3,333.3	84.79
UNIVERSITY RELATIONS/ADVANCEMENT	28.25	4.05	1,653.5	431.9	2,085.4	2,085.4		2,085.4	100.00
INSTITUTIONAL RESEARCH/PLANNING	11.65	0.58	759.5	99.9	859.4	859.4		859.4	100.00
NETWORK SERVICES	15.00		1,269.1	3,236.2	4,505.3	2,043.1	2,462.2	4,505.3	45.30
TELEPHONE SERVICES	14.25	2.27	734.9	1,539.7	2,274.6	10.8	2,263.8	2,274.6	0.47
COMPUTING & INFORMATION SVCS	62.45	8.64	4,043.2	3,645.4	7,688.6	7,532.4	156.2	7,688.6	97.97

METHODOLOGY

In developing these preliminary recommendations the committee reviewed past management studies at the University of Alaska, including the 1992 Kaludis & Associates Management Study and the 1994 Program Assessment Reports as well as the BOR principles, objectives, and priorities. Using both written materials and interviews, system offices in some 12 states were examined as were many current administrative practices elsewhere. For example, to get a better understanding of innovative methods that have worked at other places we reviewed Kaludis & Associates materials which provided examples from universities and industry of outsourcing, centralization, decentralization, consolidation, partnering with non-university entities, research corporations, and others. We requested information about administrative functions such as personnel/labor relations, financial operations, facilities planning/management, purchasing, research management, enrollment services, institutional research, external and legislative affairs, legal services, and information technology (computing/networking).

Ideas received from the University community were considered when writing the preliminary report. Comments were requested from the entire University community through the establishment of a bulletin board, a request for letters to the committee as well as a statewide audioconference called to hear suggestions from the non-committee members.

In all, over 80 different suggestions were received prior to the preliminary report. The individual comments are included in Appendix D. For basic information about administrative costs at the University of Alaska, the committee prepared a common set of institutional data listing specific administrative functions at the Statewide Office and the three main campuses and the costs associated with each of these functions. Both personnel and non-personnel costs were identified. The committee concentrated its efforts on functions rather than on individuals.

The committee is not addressing administrative costs at rural sites and it has not included Enrollment Services in its data set. The committee did take into consideration unique Alaskan elements which guided discussions as to whether certain recommendations could work in Alaska. The elements are included in Appendix E.

The committee has met face-to-face in Anchorage and Fairbanks six and one half days and has supplemented these sessions with a number of audioconferences. Three subcommittees held additional meetings as well. The subcommittees are: Finance - Mike Rice, Bill Rose, Carol Griffin, Stan Vaughn; Information Technology (including networking) - Frank Williams, David Creamer, Bill Rose, Carol Griffin; and Human Resources - John Pugh, Don Behrend, Carol Griffin.

The committee presented a progress report to the BOR Planning and Development Committee on September 24 and met with the BOR committee for a 5-hour discussion on October 29.

An updated report was presented to the President on the 3rd of November. This report was distributed on the World Wide Web. Public testimony on the report was taken at an evening session from 6:00-8:00p.m. on November 4th and at an afternoon session from 1:00-3:00p.m. on November 7th. The committee took into account the comments received about the preliminary findings in preparing its final report that was submitted to the President on November 10.

Submitted by the RSO Committee:

Joan Wadlow, UAF and Chairperson
David Creamer, UA, Statewide
Michael Rice, UAF
Carol Griffin, UAS
William Rose, UAA
Frank Williams, UAF
John Pugh, UAS
Donald Behrend, UAA

Executive Staff:

John Leipzig, UAF
Stan Vaughn, UAA

