# Planning the Future:

# Streamlining Statewide Services in the University of Alaska System

Prepared for the
Office of the President
University of Alaska

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# Executive Summary

Over the past decade, the University of Alaska System has developed into a remarkably high performing organization. Under the strong leadership of its president, the System has defined and implemented a vision that links the universities with the most important aspirations of the people of the state. This "public agenda" along with the president's communications skills and the commitment of faculty and staff at the universities have resulted in unprecedented levels of financial support from the legislature. Thanks to well-placed political representatives in Washington, D.C., the System has also garnered substantial federal investment. The additional resources from state and federal sources, plus tuition increases, have led to increases in programs and services at the system level that are unparalleled in the history of the state.

Recognizing that this rate of increasing government investment may drop off in the next few years, the System commissioned a review of Statewide offices and functions with an eye toward reducing their costs. There are several rationales for this study. Following a decade of unprecedented public investment in academic programs and services in support of the economic, social and cultural life of the state, many observers believe that there will be fewer state and federal dollars available in the near future. Thus it seemed prudent to engage outside experts with substantial experience in Alaska higher education to objectively review the System's Statewide services for, broadly speaking, efficiency and cost-effectiveness. In addition, some policy makers and others have questioned the costs of the central administration, irrespective of the available resources. Again, an external review of Statewide operations seemed a useful way to dispassionately respond to these expressions of concern. Finally, it is a widely recognized best practice to periodically review administrative operations with an eye toward making them less costly and more effective. After all, the business of higher education is education. The university exercises its responsibility for ensuring a prudent approach to administrative costs by commissioning this review.

During the course of October and November 2007, we interviewed administrative leaders at the System and campus levels, as well as current and former Regents. Along with an Advisory Committee we conducted open hearings during which the vice-presidents and directors of all the major Statewide units reported on their areas of responsibility and responded to questions from members of the Advisory Committee and the consulting team.

The gist of the recommendations is that the core virtues of the System would remain, but that operations could be conducted at lower cost and with greater collaboration with the campuses. A streamlined UA System would retain the critical strengths that have made it so successful over the past decade. Strong executive leadership, the clear public agenda so consistently articulated by that leadership, stringent fiscal management, and the readiness to engage in critical self-appraisal and create change based on those assessments would remain distinguishing features of the UA System.

But some things would change. There would be a clearer understanding among all parties of the division of authority and responsibility between Statewide and the campuses. The division we have suggested — governance, service and program functions—may be useful template in clarifying these distinctions. The central administration would be a more lean operation with fewer staff and lower overall costs. There would be more conversations among campus and System leaders earlier in the process of decision-making. This more integrated model of arriving at strategic and operational policy decisions does not diminish the executive authority of the president, but it does ensure more dialogue before policy and administrative choices are made. Our recommendations are intended to assist this high performing system to continue its exemplary service to the people of Alaska in a time when there may be fewer resources to carry out that noble purpose.

# Introduction

In October 2007, the University of Alaska System contracted with two consultants, Dr. Terry MacTaggart and Mr. Brian Rogers, principal consultant at Information Insights (an Alaska-based consulting firm) to review the organizational structure of the System's Statewide offices and operations. The System asked MacTaggart, the former system head of the Minnesota State University System, the University of Maine System and the author of many publications dealing with system organization, to serve as lead consultant for the project. Rogers, former member and chair of the University of Alaska Board of Regents and former vice president for finance for the System, co-authored the report, and his company, Information Insights, Inc., provided logistical and informational support. Appendix A provides professional biographies of both consultants.

There are several rationales for this study. Following a decade of unprecedented public investment in academic programs and services in support of the economic, social and cultural life of the state, many observers believe that there will be fewer state and federal dollars available in the immediate future. Thus the president's office determined it prudent to engage outside experts with substantial experience in Alaska higher education to objectively review System services for, broadly speaking, efficiency and cost-effectiveness. In addition, some policy makers and others have questioned the costs of the central administration, irrespective of the available resources. Again, an external review of Statewide operations seemed a useful way to dispassionately respond to these expressions of concern. Finally, it is a widely recognized best practice to periodically review administrative operations with an eye toward making them less costly and more effective. After all, the business of higher education is education. The university exercised its responsibility for ensuring that administrative costs are kept to the minimum necessary by commissioning this review.

During the course of October and November 2007, we interviewed administrative leaders at the System and campus levels, as well as current and former Regents. Along with an Advisory Committee (whose membership is listed in Appendix B), they conducted open hearings during which the vice-presidents and directors of all the major Statewide units reported on their areas of responsibility and responded to questions from members of the Advisory Committee as well as the consulting team. Appendix C contains the schedule of interviews and hearings.

The consultants also discussed Statewide services with System officers as well as campus leaders in private settings and in confidence. We guaranteed that while some of the ideas presented in these private meetings would find their way into the report, we would not connect any specific comments with the name or office of the individual who voiced them.

The consultants and the Advisory Committee also reviewed dozens of reports, studies, commentaries, and university financial records. The input to this report, then, included substantial public testimony and discussion; private meetings to probe more deeply on

particular issues; volumes of other external reviews and internal reports; and our own sense of what makes for the most effective System leadership and management.

The Advisory Committee represented faculty and staff and commented on the draft report and recommendations.

## The Questions We Asked

The consultants pursued the following questions during the open sessions as well as in the more private discussions with University officers:

- What are the major officers, functions and initiatives of the System currently? Of these, which are essential to fulfilling the Regents' legislative and constitutional responsibilities for fiduciary and academic oversight, and which are more discretionary? Among the essential functions, which, if any, can be conducted at lower cost or more effectively?

- Of the more or less discretionary functions, we found it important to distinguish those which serve an important educational support function from others that are less critical, or have outlived their usefulness or simply don't work. Relevant questions here include:

    1. Is this function, program or service so effective and important to the educational or research mission that it should be retained?
    2. Can it be conducted in a less costly, more effective way?
    3. What would be the consequences of locating the service at a campus rather than in a System office in Fairbanks or Anchorage?
    4. What are the pros and cons of outsourcing this function to a non-university provider?
    5. What would be the consequences of discontinuing this function, program or service?

The people we spoke with were not shy in expressing opinions beyond the scope of these questions. A clear majority of campus officials expressed concern, and often dismay, on what might be best summarized as the *working relationships and communications* between some System staff and the campuses. We did not seek out these views, but came to feel that perceptions of the quality of communications and relationships are so important to effective management of the System, that they deserved to be noted.

## Characteristics of High Performing Systems

What separates high functioning systems of colleges and universities from those that are merely adequate? Our experience is that the best systems, regardless of their structures, feature seven important attributes. The following list of characteristics of high performing systems derives from the literature on successful organizations generally and the authors' own experience with what works best in system administration.

### 1. Strong Executive Leadership

The senior leader of the most effective systems—be the title president, chancellor, or commissioner—are politically adroit, credible, imaginative in linking public needs with academic capacity, and strong willed. The senior executive heads a team with a few, able, tough minded players. The essential roles are chief financial and operations officer, chief academic officer, and a person to provide leadership in student affairs. Other critical members of the leadership team include system legal counsel, the chief of human resources management and increasingly a chief information officer. In the most effective systems, trustees are deeply engaged in setting strategic policies, but leave the implementation and the politics up to their senior executive.

### 2. A Simple, Clear Public Agenda

Historically, systems were formed to plan, coordinate, respond to legislative inquiries and provide some equilibrium among competing regions of the state. For the past decade and a half, the best systems have asserted leadership in the most critical economic (and to a lesser degree social and cultural) issues facing their states. Many systems erect a "public agenda" for the system and the component institutions that focuses on economic development, workforce preparation, commercializing university-based research, sustaining communities, and providing a more seamless linkage with the schools. This agenda, often developed through a grassroots process of meetings with community leaders as well as ordinary citizens, underpins the funding request to the legislature, and indeed has become a fundamental goal of most systems.

### 3. Fiduciary Capacity

Effective systems harbor the administrative capacity to carry out the core fiduciary responsibilities entrusted by the state to the governing board. Usually, this means strengths in the areas of budgeting, finance, legal affairs, human resource management, academic affairs, information technology, and political and public advocacy. This resource management role includes not only the oversight and audit functions, but leading processes to ensure that resources are allocated fairly and consistently with public needs. The best systems effectively balance a purely rational approach to distributing resources with the practical wisdom that acknowledges the political clout of institutions and the regions they serve.

## 4. Clarity of Responsibilities and Authority

The most effective systems have achieved clarity of understanding of the roles, responsibilities and authority of the campus and the central administration. While "who does what" and "who decides" may be spelled out in administrative policies, these understandings are also widely understood and accepted, if sometimes grudgingly.

## 5. Models of Frugality

The best systems are highly disciplined in their use of resources, recognizing that their function is to support the colleges' and universities' educational efforts and that administration is not an end in itself. Effective systems resist the temptation to step into the education business by offering academic programs themselves, except to get a new effort involving several institutions off the ground and then only for a defined period of time.

## 6. Integral Decision-making

While the most adroit systems enjoy strong, decisive executives, the *process* leading up to making decisions is a highly collaborative one. Campus executives are systematically consulted. Periodic retreats to engage in strategic planning, to address major problems and evaluate current practices are the norm. Dissent from campus leaders and within the system during these discussions is accepted as a healthy component to arriving at good decisions and in securing buy-in. In the most effective systems, working relationship are described as cordial, friendly, and mutually respectful.

## 7. Critical Self-Appraisal and Change

The best managed systems periodically secure external evaluations of how they conduct their business and whether they are doing the right things. They seek unedited reviews of their core functions. They also stay alert to how changing political, economic and social realities demand changes in system behavior. Recent downsizing of the central administrations in Maine, Missouri and California in response to public criticism of system costs as well as reduced resources illustrate this kind of responsiveness.

## Comparisons with Other Systems

Effective systems of higher education in the U.S. display nearly infinite variety in terms of the number of constituent institutions, enrollment, budget, locus of authority, relative reliance on rules and regulations versus less formal relationships, and costs. There is no one template that works in all states under all conditions. Having said that, comparing the UA System with others in the lower 48 helps to raise questions about the relationships between size (number of institutions, enrollment), organizational complexity, decision-making processes and relative system costs.

### Size and Complexity

Systems designed to govern, coordinate and lead public colleges and universities in the United States come in all shapes and sizes. The State University of New York (SUNY) is the largest with some 64 institutions enrolling 400,000 students. At the other end of the spectrum, the Vermont system is comprised of 5 state colleges with a combined enrollment of less than 12,000 students.

Figure 1 on the next page compares operating budgets per student for the UA System and six of its peer institutions. The UA Office of Institutional Research identifies three peer systems with less than 30,000 FTE students – Maine, Montana and Southern Illinois – and seven peer systems with 30,000 to 60,000 FTE students, of which four – Massachusetts, Nebraska, Hawaii and Colorado – are shown in the figure.

Among the eight institutions shown, Alaska's $17,100 state appropriation per FTE student is highest, but only two percent above Colorado's $16,900. The total operating budget of $42,200 per student is also highest, but again only four percent higher than Massachusetts' $40,700 per student.

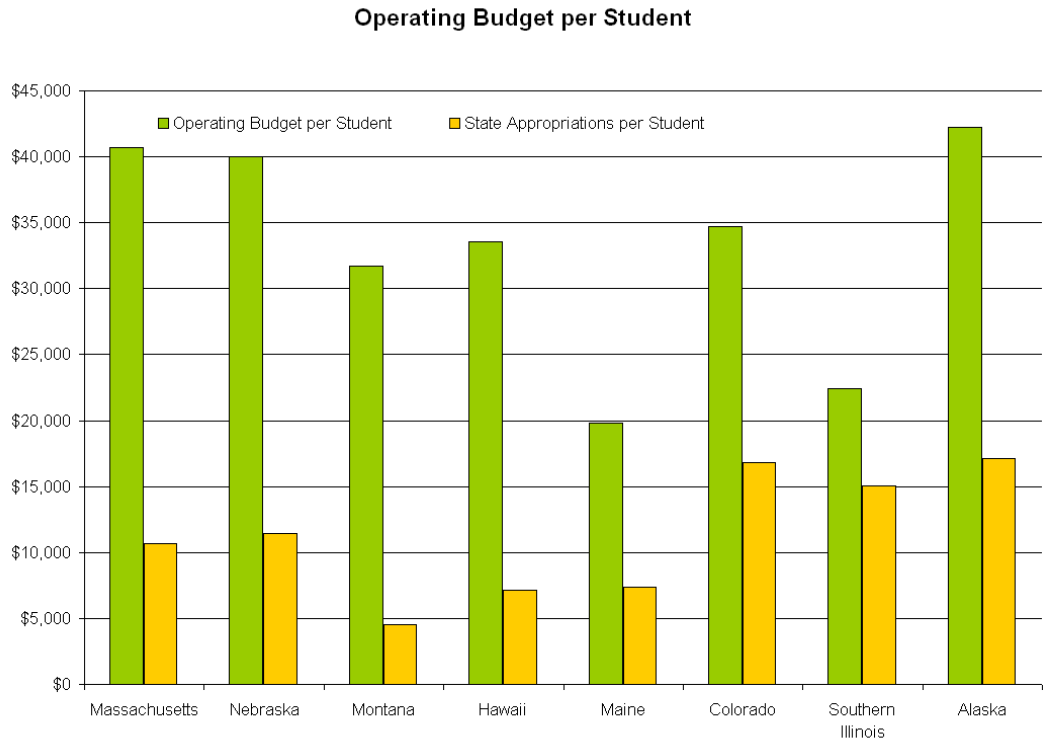


**Figure 1 Operating Budget per Student**

With three universities, the University of Alaska System would appear at first glance to be a relatively simple organization. However, because of the distinctive missions of each of the universities, the community college functions embedded in various ways in each, the shear geographic reach of their service areas, the extensive distance education network, the number of separate bargaining units within the System, the ethnic and cultural diversity of the state and the cost of doing business in a state this large with its climatic and geographic extremes, the University of Alaska is anything but organizationally simple.

## Authority and Working Relationships

Systems also vary greatly in the degree of authority of the central administration, their relative reliance on rules and regulations to ensure compliance and the character of the working relationships among players within the organization. The SUNY System is notorious for its bureaucracy, multiple layers of authority, and Dickensian levels of obscurity when it comes to getting a decision made. Others Systems like those in Maine, the Southern Illinois University System and Vermont rely more on informal relationships and interactions to get their business done.

The University of Wisconsin System with 26 institutions ranging from the internationally recognized flagship in Madison to the generally superior regional universities to the network of two-year centers spread across the state concentrates authority in the system

office of the president. Yet the working relationships within the system are cordial, and mutually respectful. There is no question where the ultimate authority lies, but there is high level of campus participation upstream before policy decisions are presented to the Regents for action. Much the same can be said for the high functioning well regarded University of North Carolina System.

The locus of authority within the University of Alaska System, for reasons partially explained in the Points of Inflection section below, lies with the central administration in the Butrovich Building. Alaska shares the penchant for centralized leadership and control with systems in New York and Wisconsin, among others. We will comment later in the report on perceptions of decision-making processes and working relationships within the Alaska System.

## Responses to Reduced Resources

Unfortunately, there are no reliable studies comparing system costs across the fifty states. Thus we cannot do a table of standard costs of systems in light of their number of component institutions, enrollment, or structure. This lack is explained by the immense variety of system structures, the fact that some systems present their total costs as a separate line item while others provide less clarity, and resistance on the part of some of these agencies to participate in comparative studies.

However, there are lessons to be learned from the experiences of systems in reducing their operational costs. The chief models for reducing administrative costs are summarized below.

The three main approaches to reducing overall system costs are consolidation, privatization, and reduction. Consolidation requires the merging of campuses as illustrated by the merger of several two-year campuses in Minnesota or the subordination of smaller campuses under larger ones, as occurred in Montana with the clustering of regional campuses under the two larger universities. During its most recent restructuring, Alaska pursued this model by locating the community colleges under the three regional universities. It is unlikely that further consolidation is either politically or managerially feasible in Alaska. Thus further campus consolidation is not an option.

A variant on the consolidation theme is to aggregate administrative functions, rather than campuses, either at a central location in the System office or at one of the institutions. The University of Maine System attempted this approach during a period of centralization from 2002 to 2005. South Dakota recently completed an initiative to capture scale economies by consolidating administrative functions. The South Dakota model involved at least temporarily reducing campus personnel in human relations, admissions processing and information technology in order to enhance the system capacity to offer these services centrally. Officials in South Dakota report that they believe this effort reduced costs. They also surmise that the campuses have in fact replaced some of the staff, resulting in some duplication of effort. Since the effort in Maine did not include a reduction in campus personnel, the System has not realized any

net savings, and likely increased total administrative costs. The last few years have witnessed substantial consolidation of services in the UA System's Fairbanks headquarters. The benefits have been greater consistency of service, but central administrative costs have risen as well.

Privatization in its purest form is turning to non-governmental organizations to provide functions historically conducted by governmental entities. In a more general sense, creating independent nonprofit enterprises to fulfill public functions represents another form of privatization. Oregon pursued the second option when it removed its health science center from the state's university system, granted it administrative independence from state control, and drastically reduced its funding. While the UA System has occasionally turned to outsourcing for specific administrative functions requiring specialized technical talent, it has not outsourced its core educational and research functions. What worked in Oregon with health sciences would likely not be successful in Alaska due to the relatively small market for higher education services and the lack of any independent institution with the capacity to replace Alaska's higher education institutions.

The third and more common option is to review administrative functions with an eye toward reducing or eliminating them, or transferring some of the functions to campuses with the capacity to manage the service. Following the effort to save through the consolidation mentioned above, the University of Maine System engaged in this process and reduced central costs by $2.6 million or about 11 percent. That System is about to engage in a second round of reductions aimed at reducing central costs by another five percent. In 2004, the Oregon University System undertook a dramatic downsizing of its central office, which led to the elimination of over 100 positions (from 187 to 82). This shift included the transfer of some 35 positions from the central office to Oregon State University for implementing the BANNER information system for all the universities and the central office.

This report follows the third model of seeking cost reductions following a review of administrative functions. As noted above, Alaska has consolidated its major campus units, and further aggregation of campuses holds little promise. Large-scale privatization of the sort accomplished in Oregon is unlikely to work in Alaska's competitive landscape. The only practical alternative at this point is to patiently review, analyze and prune or transfer central functions and costs.

# Budget Growth and Constraints

## The University's Budget

The University of Alaska has seen three periods of significant budget growth in the post-statehood era.

The discovery of oil at Prudhoe Bay in 1969 brought new wealth into a small state government, which responded with significant increases in budgets for education, at both the K12 and post-secondary level. At the time, the University of Alaska was its Fairbanks campus, with community colleges in Anchorage, Juneau and Ketchikan, some university courses in Anchorage and some extension programs. The state budget expansion of the early 1970s brought new campus buildings, new community colleges, and establishment of the University of Alaska at Anchorage.

While state money was flowing to the university, its fiscal control systems weren't keeping up with the more complex institution. Following the failure of a university bond issue in 1976, the university found itself with significant cash flow problems, poor accounts receivable management, and an inability to fully account for its financial performance. The state administration and legislature responded by clamping down on the university, requiring new financial controls and segregation of funds between campuses and among functions within campuses. One result of the 1977 troubles was the establishment of firm financial controls for the whole university in the System office. In many ways significant aspects of the System office of today reflect the control tone set by the problems of 30 years ago.

In 1979 oil prices skyrocketed. Over the following two years, the university budget blossomed again, rising as much as 40 percent in a single fiscal year, and new buildings were added throughout the System. Unfortunately, what goes up usually comes down, and in 1986 oil prices crashed, resulting in a $25 million reduction in the FY87 UA state appropriation, a whopping 15 percent reduction in a single year. The Regents cancelled capital projects to generate enough cash to avoid financial exigency, and directed the administration to retrench, ultimately restructuring the System to its current configuration of three multi-campus, multi-mission institutions and a Statewide administration.

In the ten years following System restructuring in 1988, state appropriations were essentially flat, allowing growth in only those areas that could find other sources of funding, including growing tuition income.

On his arrival as president in 1998, Mark Hamilton characterized the years following restructuring as the UA System's "decade in the desert," and proceeded to lead the System out of the desert. In the following ten fiscal years, the UA state appropriation increased each year, up to 14 percent in a single year. Non-state funds increased by as much as 21 percent in a single year. From FY99 through FY07, actual spending of state appropriated funds grew by 73 percent, and of non-state funds by 89 percent. Without a

doubt, this is the best consistent positive budget growth for the UA System since statehood, and is one of the longest runs of consistent budget growth in American public higher education.

### *Future Constraints*

The outlook for the future is less rosy; and the university may need to prepare for tighter times. A variety of factors are coming together that increase the probability of flat funding, or perhaps even budget declines.

At the state level, declining state oil production will over time reduce the ability of the state to meet increasing budget needs. While the production decline is ameliorated in the short term by record high oil prices and the significant recent tax increase, the state administration is talking of budget problems within five years. And lower oil production will, over time, reduce the donations by BP Exploration (Alaska) and Conoco-Phillips made under their 1998 Compact commitment.

At the same time, the federal picture isn't looking good. Federal budget constraints caused by the demands of the Iraq war are likely to hit research spending; Congress is tightening the earmarking process; and Alaska's delegation has warned of diminishing ability to direct funding for Alaska priorities. Tighter budgets are also affecting the indirect cost picture, as the federal climate is to cap or reduce indirect rates.

The university has few opportunities to make up for flat or falling state and federal funds with other fund sources. Tuition rates have increased in the past decade at rates exceeding inflation, leaving little headroom for significant growth beyond inflationary increases in the future. As interest rates fall, university interest income also falls. On a very positive note, charitable gifts and donations to the university are increasing significantly, but these funds are unlikely to become a major source of operating revenue in the near term.

The combined effect of these potential budget constraints is an increased likelihood that the UA System will need to be increasingly frugal, with increased need to reallocate funds from low priority programs to meet its priorities for growth. The System office that has guided the remarkable growth of the university's programs and services in the last decade will need to be retooled to guide the System in a time of scarcity. This examination of the System office provides an opportunity to begin that process of examination, reallocating System office funds and functions to the highest System priorities.

## System Office Roles

Our examination of the System office found three very different roles in the university's Statewide Major Administrative Unit (MAU):

- System governance – the portions of Statewide that have fiduciary responsibility for UA as a corporate entity, maintaining the constitutional, statutory and regulatory responsibilities for the System set by the state and federal governments, and the policy requirements set by the Board of Regents;
- Statewide services – the portions of Statewide that are established to provide central administrative services for the entire System for reasons of economy of scale, efficiency or effectiveness;
- Statewide programs – the portions of Statewide that deliver academic, research or public service programs on a statewide basis.

We find that virtually everyone involved understands the requirement of the fiduciary governance role of the System office, and we have few recommendations to make for change to the functions therein.

In the Statewide services arena, there is room for honest disagreement about centralized versus decentralized services, and whether each of the central services can be provided at lower cost, higher efficiency, or higher effectiveness. And there is room for disagreement as to when lower cost is more important than higher effectiveness. That said, there are several choices that can be made for any administrative service:

- Centralized Statewide – the service can be provided by the System office on behalf of all campuses
- Centralized Lead MAU – the service can be provided by one MAU on behalf of all the MAUs
- Centralized Consortium – the service can be provided by a consortium formed by the MAUs
- Decentralized MAU – the service can be provided at the MAU level by each of the MAUs, without coordination between MAUs
- Distributed – the service can be provided at the campus level within each MAU, without coordination between campuses or MAUs
- Outsourced – the service can be provided by the private sector
- Ignored – the System office can ignore whether the service is provided or not
- Discontinued – the service can end
- Hybrid – the service can be provided by a hybrid of one or more of the above choices

Our examination raised several questions that go beyond the basic tradeoffs among cost, efficiency and effectiveness. For example, which delivery mode is best suited to the nature of the service being delivered? Do Statewide services display a sufficient degree

of customer orientation when the campus is the customer? Have some Statewide functions that began as a service morphed into control functions?

The third Statewide role, responsibility for administration or delivery of academic and research programs, was the most problematic. We admit our bias going into this work, that the administration and delivery of academic, research and service programs belongs in the accredited academic institutions, the campuses. We see a clear planning role at the System office – of coordination, adjudication of competing claims for program resources, of academic planning and quality control.

Other key roles for the System office in academic programs include:

- As incubator, or initiator, of new Statewide academic programs, with a clear plan to transition the program to an MAU or campus
- As a receiver, when a campus program is failing and the campus is unable to perform its mission, with a plan to transition the program back to an MAU or campus
- As a transition, for programs that are within the UA System but are being readied for movement outside the System to a state agency or nonprofit, or for programs transferred from a state agency or nonprofit pending the decision on which campus or whether the campus should take on the function
- As a budget holder, to ensure a single MAU doesn't cut back on program delivery outside its core service area during a time of retrenchment without the concurrence of the other MAUs or president, but actual program delivery should be by an MAU or campus.

Reduction in the size and scope of the System office can come in three ways:

- Reducing the function at the System office
- Transferring the function from System office to MAU or campus
- Eliminating the function from the System office

Those recommendations we make that affect budgets generally fall into the first two categories.

### *System Office Budget Growth*

An examination of the relative growth of units within the University System shows that the System office has grown at a more rapid rate than that for the UA System as a whole. As shown in Figure 2, in total funds, the Statewide budget grew from FY99 through FY07 by roughly 225 percent, compared to a growth of other units averaging 170 percent. Figure 3 shows a similar trend in state appropriations, as Statewide's general fund budget grew over the same period by about 210 percent compared to 170 percent in other units.

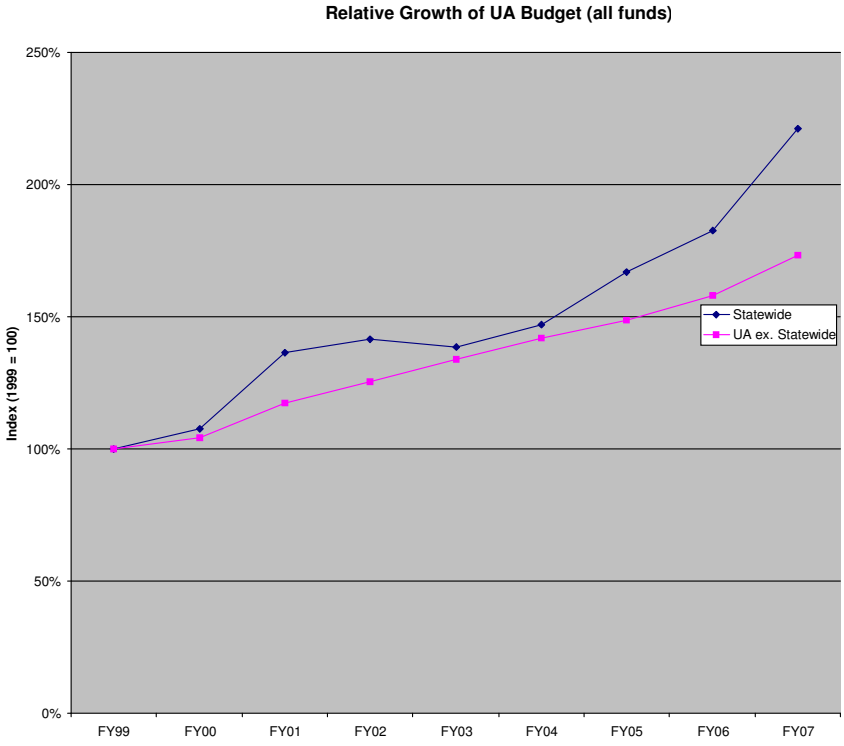


**Figure 2 Relative Growth of UA Budget (all funds)**

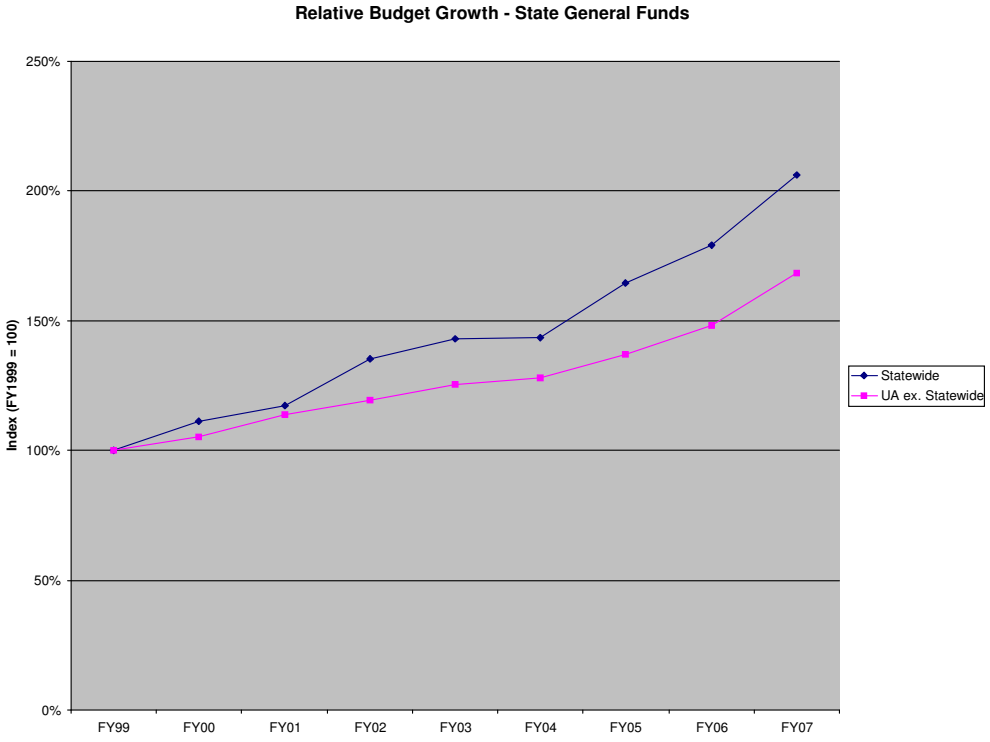

**Figure 3 Relative Growth of UA Budget - General Fund**

The result of this growth can be shown in the following Figure 4, showing the Statewide share of total funds and of general fund, growing from about 6.2 percent of the UA total budget (6.3 percent of general funds) to about 8 percent (7.7 percent of general funds).

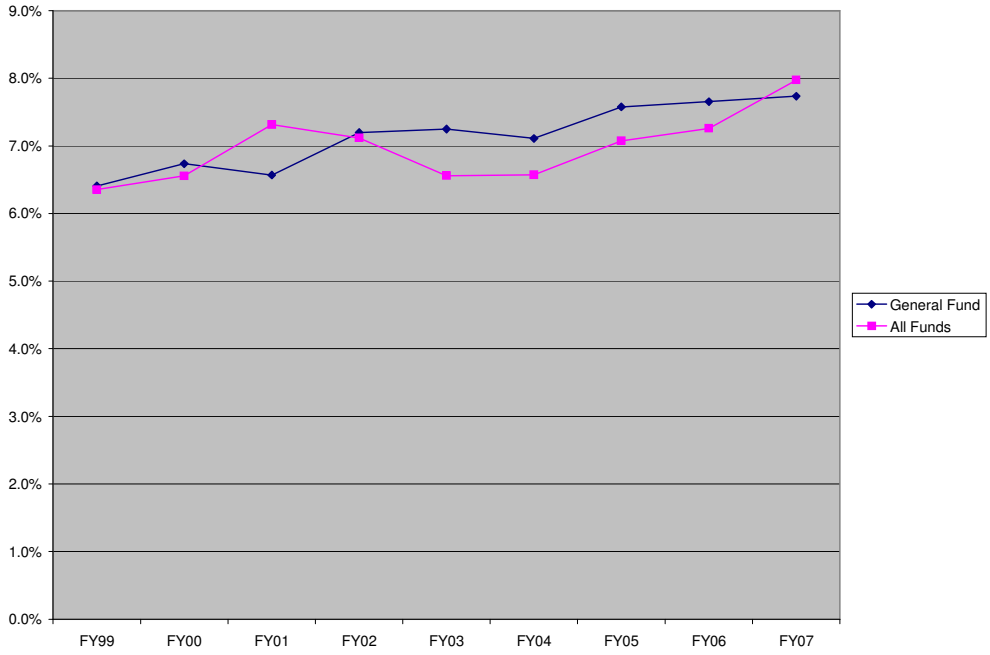


**Figure 4 Statewide Share of UA Budget**

The increase in the System office's percentage share of the UA budget represents about $15 million more in total FY07 spending ($5.2 million in general fund appropriations and $9.8 million in other funds) than would be the case if the Statewide MAU had the same percentage in FY07 as in FY99.

This look at the total System office budget masks the true growth, however. As mentioned earlier, we examined the System office in three different, but somewhat overlapping, categories:

- System governance – the portions of Statewide that are responsible for UA as a corporate entity, maintaining the constitutional, statutory and regulatory responsibilities for the System set by the state and federal governments, and the policy requirements set by the Board of Regents;
- Statewide services – the portions of Statewide that are established to provide central services for the entire System for reasons of efficiency or effectiveness [recognizing that some central services can be or are being provided by one institution for the other institutions, while others are provided by the System office];

- Statewide programs – the portions of Statewide that deliver academic, research or public service programs on a statewide basis.

When we analyze the Statewide budget among these three categories, it becomes clear that the majority of recent growth has been in the third category – the delivery of statewide programs, as shown in Figure 5 below.

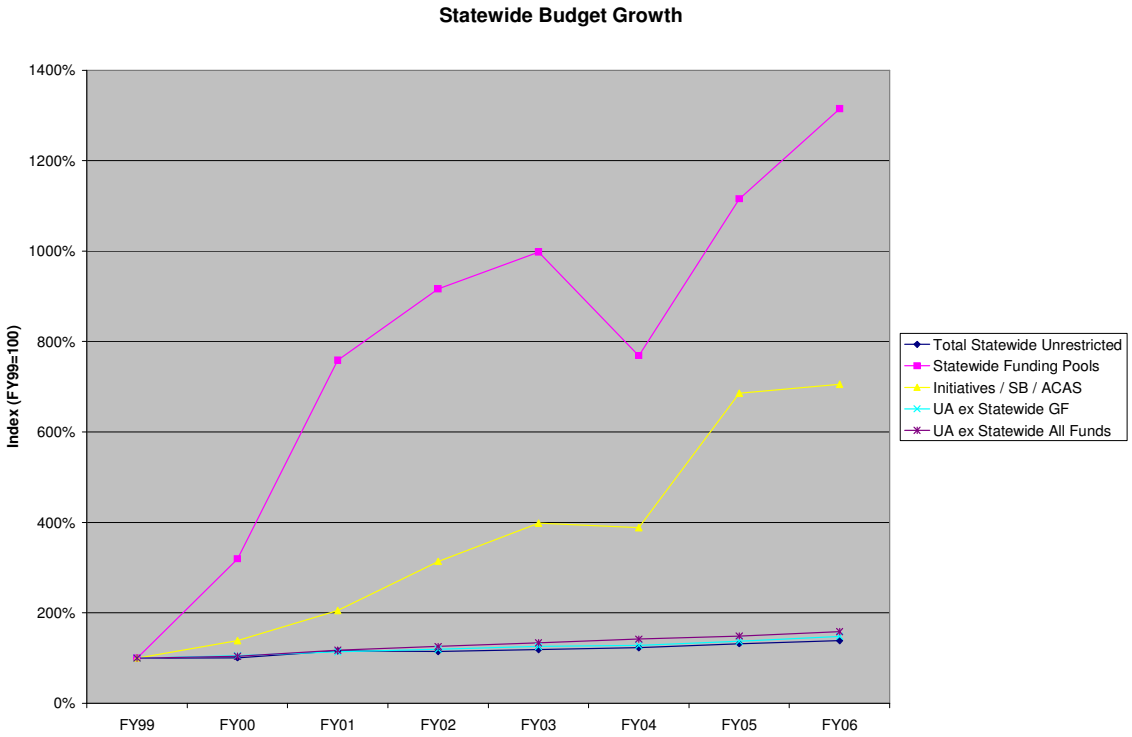


**Figure 5 Unrestricted Statewide Budget Growth by category**

This figure demonstrates that the largest percentage growth of the System office budget has been in the areas of Statewide Funding Pools, Initiatives, Staff Benefits, and the Accountability and Sustainability processes. Major portions of this funding are shared with campus programs, and do not represent growth of the System office governance or service functions.

The following figures show growth in System offices by functional area. Figure 6 shows growth on a percentage basis among the Statewide offices. The highest percentage growth areas have been Academic Affairs, Planning and Budget, and University Relations, each of which exceeded the average growth of the university as a whole. The smallest percentage increases were in the areas of President/Board of Regents/General Counsel, Information Technology, and Administration, each of which lagged behind the average growth of the university as a whole.

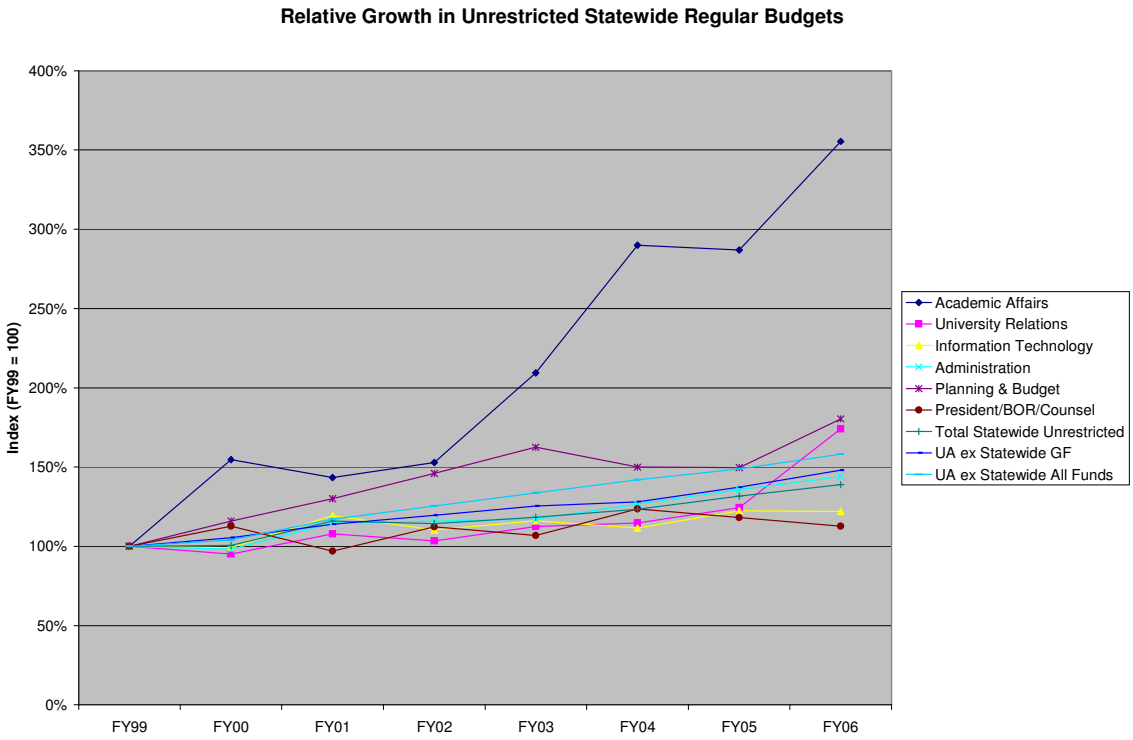


**Figure 6 Unrestricted Statewide Budget Growth by function**

Figure 7 shows budget trends in the largest Statewide functional areas – those with annual budgets exceeding $1 million.

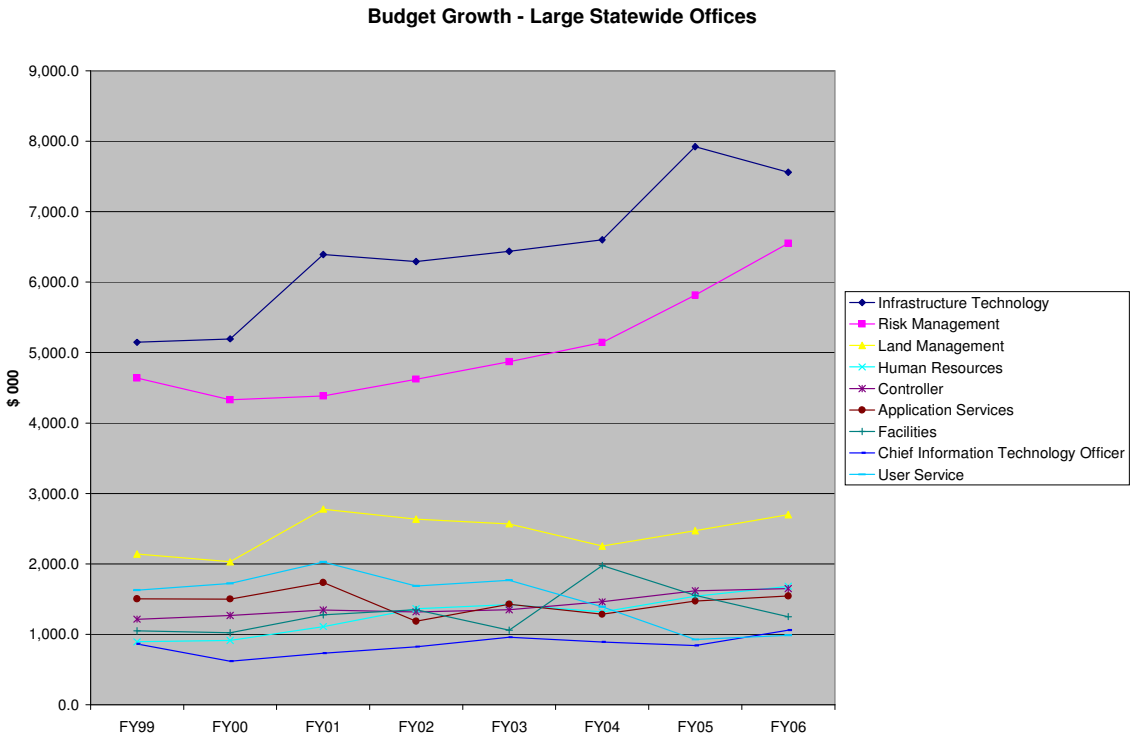


**Figure 7 Budget trends in large Statewide offices**

In unrestricted dollars, the largest growth has occurred in the following budget lines, each of which increased by more than $250,000 over the 7-year period:

| System Budget Unit | FY99 | FY06 | Growth |
|---|---|---|---|
| IT – Infrastructure Technology | $ 5,145.7 | $ 7,558.0 | $ 2,412.3 |
| Administration – Risk Management | 4,636.6 | 6,550.8 | 1,914.2 |
| Administration – Human Resources | 893.2 | 1,683.8 | 790.6 |
| Administration – Controller Initiatives/ACAS | 0.0 | 606.8 | 606.8 |
| University of Alaska Foundation | 164.7 | 759.5 | 594.8 |
| Administration – Land Management | 2,139.6 | 2,669.5 | 559.5 |
| Academic Affairs – Student Services | 0.0 | 547.4 | 547.4 |
| IT – Infrastructure Technology Initiatives/ACAS | 149.0 | 666.6 | 517.6 |
| Planning & Budget | 622.5 | 1,123.0 | 500.5 |
| Academic Affairs – Workforce Development | 0.0 | 466.0 | 466.0 |
| University Relations – Public Affairs | 266.1 | 712.2 | 446.1 |
| Administration – Controller | 1,215.6 | 1,649.0 | 433.4 |
| Academic Affairs – Research Funding Pool | 0.0 | 400.3 | 400.3 |
| Administration – Financial Systems | 372.4 | 763.1 | 390.7 |
| Academic Affairs | 319.9 | 646.1 | 326.2 |
| Administration – College Savings Program | 161.6 | 435.4 | 273.8 |

**Table 1 Statewide Budget Units with Largest Growth FY99-FY06**

## Conclusions

The conclusions regarding the relatively high costs in absolute terms and measured with respect to student enrollment, number of institutions and faculty derive from several realities:

- In recent years, the UA System has pursued a high service model in which the central office takes leadership for and funds educational and service programs that the campuses are unable or unwilling to support.
- In Alaska, the unavoidable fixed costs of System administration are spread over relatively few institutions, students and faculty. If the enrollment were to double in size, the per student costs of System administration would be cut nearly in half.
- Though small in population, Alaska is large in terms of the numbers of distinct groups needing educational services. To be responsive to the needs of these different groups means the System delivers directly and through its universities a host of important, but relatively high cost, low volume programs and services.
- While the Alaska System is organized under three MAUs, in fact there are multiple distinct campuses or learning centers spread across the largest state in the nation. In other states, the community college campuses might well be in a separate system altogether. Using the number of institutions in determining system costs per major unit dramatically exaggerates the result.
- As often stated, there are substantial additional costs to doing business in a state the size of Alaska with its extremes of geography and climate.

In sum, the UA System is a high cost system for a variety of legitimate reasons. There is no evidence that System administrators are wasteful or profligate. But with shrinking state and federal support highly likely, substantial recent tuition increases, and increasing demands for educational services, it is clear to us that the System would be well advised to streamline its operations and reduce its costs.

# Working Relationships between Statewide and the Universities

## What We Heard

### *One or Three?*

It will surprise few in the UA System that there continues to be a question: Are we one university or are we three universities? This fundamental question, and the organizational principles that flow from its answer (or lack thereof) continue to create confusion at the campus and Statewide levels. For purposes of this study, we answer as follows:

> This is one university System comprised of three accredited universities, each of which is itself a mini-system.

### *What is Statewide's Role?*

There is a lack of clarity in the role of the System office that flows in large part from the first question. The decision flow process is clear to few people, and the plethora of councils and task forces diffuses accountability and responsibility. Campuses see a mixing of headquarters functions with operational functions, with "situational floating spheres of influence" among the Statewide offices. Many campus leaders believe they spend too much time in meetings or preparing for System meetings (although they also call for more collaboration). Both System and campus interviews recognized that the System office possesses specialized expertise not found on the campuses. Our interviews of current and former regents indicated that Statewide offers a more consistent and responsive attitude toward external authorities and the regents.

### *Does Father Know Best?*

Campus interviews repeatedly brought out resentment to an "autocratic attitude" among some Statewide staff, characterized by some as "father knows best." Campuses believe some Statewide offices are second guessing, interfering and attempting to micro manage operational decisions at the campus level, rather than adopting a team approach. They saw a lack of perspective of campus needs, the campus environment, and the campus calendar. This sense is particularly acute toward the finance and budget arenas, where control functions appear strongest. In our System office interviews, we saw concern in the other direction – if functions are devolved to the campuses, what fiduciary accountability is there to the corporate whole, and what should happen if campuses fail or outright refuse to meet statutory, regulatory or policy requirements?

### *Where is the Sauce for the Gander?*

The System office has developed increasingly stringent metrics for campus performance in order to demonstrate accountability for public funds and to use a rational process for allocation of resources. There is some campus feeling that the metrics do not completely capture the broad missions of their multi-mission, multi-campus institutions. More troubling is a perceived lack of metrics for the System office – what are the standards of performance for Statewide, what are the peers, how can the performance of individual Statewide offices be evaluated.

### *System Office Functions*

Academic Affairs:

Since 2002, the UA System has invested heavily in developing its academic affairs program. As Figure 5 presented earlier suggests, academic affairs stands out as the unit with the greatest budget increases. This rate of growth is explained by the fact that prior to 2002, the System lacked a chief academic officer and many of the programs associated with a centralized academic affairs unit.

The efforts of the new vice president for academic affairs to reach out to the campuses, to meet personally with faculty and staff, and to jointly identify priority areas for this unit have received broad approval at the campuses.

Campuses cited the health programs initiatives regularly as a positive example of what the System office can do in a new initiative. There was a very high confidence in the open, collaborative process used to respond to the needs of the health industry. There was general agreement that the responsibility for health programs should be centered at UAA, with the understanding that delivery of nursing and allied health programs outside the UAA core service area is important and requires a shared campus and Statewide decision before any changes are made.

We heard support for an academic affairs agenda that included clarifying the missions of the universities, leading discussions on the location and levels of new graduate programs, supporting the community college function within the universities, and leading in the development of a multi-year strategic plan for academic affairs.

Administration:

Finance: There were concerns about the strong control culture that derived from the 1977 fiscal crash of the System, that some procedures, such as those involving campus spending of foundation receipts, require documentation equivalent to pre-audit of transactions. Internal audit was seen as a positive, service-oriented function that is responsive to campus needs. The legal and policy role of Statewide in purchasing was clearly recognized, as was the lead role being taken by campuses –

UAF in complex procurements, UAA in construction procurements. Risk management was seen as too controlling, even in those functions that are primarily services to campuses. The indirect cost process was a touchy issue, with several key campus officers not clear about the process for determining rates or allocating revenues.

Facilities was seen as "a mess," but campuses saw the need for a System office role in keeping a level playing field, reviewing campus work for consistency with the plan, helping campuses needed, and advising the president and the board on policies. The campuses generally agree that there needs to be Statewide oversight of capital planning and construction, but there is less agreement about oversight of maintenance and operations, with the general thought being that Statewide should set parameters and require a plan, but leave the rest up to campuses. Campus leaders think Statewide should be the voice of capital construction, understand master planning, and ensure that space utilization studies are completed as a part of campus planning. Campuses think they should take the lead on facilities planning, and should be responsible for facilities construction and maintenance.

Human Resources: All campuses recognize that UA is one employer, and that employees need to be treated similarly across campuses in issues such as job classification, pay and benefits, retention and dismissal. Several campus interviewees felt the System office—perhaps under direction of the Legal office— makes it too difficult to dismiss at-will employees; that there is too much fear of litigation so poor employees are kept on, or passed around. Some also said that campuses need to be more involved in contract negotiations. There is a feeling that Statewide doesn't recognize what campuses are doing well; UAA has a robust training program but the Statewide human resources department hired new resources rather than using UAA's program. The compensation project, originally set to be a three-year project, has stretched out to six years, costing more without fully addressing the needs it was designed to serve. The biggest campus concern is over the UAF-Statewide human resource merger, which creates a different relationship between Statewide and the other campuses than that between UAF and Statewide. Both UAA and UAS are concerned that either "they're next" or that UAF concerns will have priority in Statewide initiatives, while the Statewide perspective is that UAF was in serious need of help and the 'shared services model' is commonly employed at other universities across the country.

Land Management is seen, with some exceptions, as a real help to the campuses, not questioning why a campus wants to do something but rather providing help and understanding of the rules. People recognize the clear focus on making money; the one area of concern is when to override financial with educational issues, or when community or political concerns should delay or revise the process.

ACAS: The Ad-hoc Committee on Accountability and Sustainability process was seen as generating good ideas, and identifying significant savings potential in automation. It was criticized for lack of clear project management, recognizing that

the new Project Executive Group was created to address that concern. There is a desire for stronger efforts to prioritize the rollout of ACAS projects, and to utilize project management expertise at the campus level.

Legal:

The System legal office received generally high marks everywhere, with clear acknowledgement that it should be a core System governance and service function. Some expressed concern that the office is overly risk-averse, particularly on personnel matters, which results in a system-wide culture of offices passing their personnel problems on to others rather than addressing problems. UAA interviews indicated a desire for stationing one lawyer in Anchorage. Statewide staff pointed out that has been done in the past, and spoke of concerns about the connection to other Statewide functions.

Planning and Budget:

Budget Development: There are concerns about the relationship and timing issues; campuses do not see budget development as a collaborative process but rather as driven from the top-down, in direction and format, contrasting with a stronger campus role in the past. Campus leaders want earlier involvement in the process, so that their budget development can align with System priorities; they feel that university budget priorities are set in the budget office rather than by a collaborative process among university leaders. Some campus leaders see performance-based budgeting as a punitive process, not recognizing what they do well. All would like to see more upfront discussion of PBB and other budget processes.

Institutional Research has a larger staff than the campus institutional research staff, which campuses think should mean Statewide IR provides campuses with Banner reports rather than asking campuses to produce the reports. All recognize that Statewide and campuses need to agree on the process for generating numbers used in university reports; it does little good to argue over who is right. Campuses would like more communication on analyses of faculty workload.

Information Technology:

This area was one of the most challenging in our study; information technology underlies all of the university's administrative and academic processes; it is critical to the mission and people have passionate views about the issues.

The Statewide IT offices were seen as strongest in management of the network backbone, network planning, central data systems and quality assurance. The System office has a role in developing multi-institutional consortia, working with national and state organizations for research and educational networks, and on group purchasing efforts to hold down costs. It also has a role in mediating technology

disputes between the campuses, as with the current difference between UAA and UAF over deployment of DegreeWorks.

UAA is strongest in student services, enrollment management, and instructional technology. UAF has the strongest database and research network capabilities. UAS has the best user interface. Information Technology is one arena where the lead campus model is already in use – UAA operates E-live and hosts UAS and UAF, and provides telephone billing and licensing for OneCard for UAS. Statewide is seen as significantly better staffed than the campuses, and as not making a clear business case for all new major initiatives.

Network: Statewide provides the wide area network and commodity internet, and is the primary point of contact for the private data carriers in the state. Campuses would like to see an improved backbone, with particular attention paid to backup and restoration plans for outages. Creation of the capability to allow advanced users to provision their own circuits will be a positive development.

Banner Administrative Systems: Campuses perceive that the financial systems, human resources and student services staff are stretched too thin to fully address campus needs [note: Banner support functions are shared between IT and the Statewide system users in Finance, Human Resources, and Student Services.] Campuses see the Project Executive Group as providing needed project management, but would like to see an outsource contractor or contractors selected for special projects. Urgent needs of one campus are often not addressed in the decision-making process, which favors multi-campus needs, even if less urgent. Statewide often does not use the best of campus implementations, for example UAA's operational Banner dashboard should be considered for use elsewhere in the System.

MyUA: Campus interviewees used this system as an emblem of "what's wrong with Statewide." It was frequently cited as a Statewide mandate that did not take into account campus needs and priorities, or the changing nature of the students who are expected to use it. There is, however, also a perception—that few disputed—that campus participants actively undermined the implementation process. When originally proposed, it did not have clear buy-in from campuses; they had higher priorities for spending of the significant funding required. The campus customers use a variety of methods to access UA services today. The question now is to determine which portions of this system are likely to be used (absent a decision to make usage mandatory, which would be very controversial), and which deserve further investment. Campuses believe that Statewide is not recognizing what campuses are already doing for identity management, and how best to get directory services and identity management under control.

Statewide-UAF IT: There was general agreement that combining IT functions by location makes sense, but as with human resources real concern at UAA and UAS that the combination will mean UAF issues get first priority at Statewide. A more favored model would be to combine functions at the local level under campus control

– UAF for Fairbanks IT support, UAA for Anchorage IT support. UAF needs stronger IT leadership and support in order to resume management of Fairbanks IT, and will need to determine how to centralize at the campus level identity management, server support and some storage issues.

University Relations:

Foundation and Development: The development staff were seen as working well together, but there is some concern about the differentiation in roles between Statewide and campus leadership. Campuses see their leadership role in the development of local and alumni donors, and the Statewide role in reaching major donors outside Alaska and the biggest companies that give to multiple campuses. Some campus leaders cite a problem when Statewide staff work directly with campus alumni donors, bypassing campus leadership. Campuses support the centralized back room functions providing service to them.

Legislative liaison: The advocacy and lobbying role is a generally recognized central role, and the federal initiatives process is seen as generally successful. UAA interviews indicated the need for a stronger connection to Anchorage, with a broader base of contacts and follow-through.

Public Affairs was cited by campus interviewees as a positive, can-do office, particularly in the media relations and publications portions of its work. Statewide is helping smaller campuses with branding, which continues to be an issue with some disagreement – is it better to brand as UA or, for example, UAS, when reaching different audiences for university services? Most see a beneficial effect for campus-level branding for student enrollment, recruitment and retention, and for employee and alumni giving, but it's not as clear for other processes.

## Our Perspective on the Relationships

Relationships and attitudes between System administrations and the campuses are always complex amalgams of positives and negatives. Even the most harmonious systems harbor conflicting attitudes as resentment of authority mingles with respect for the talents of colleagues at both levels, frustration over "one more eleventh hour request for information" is balanced by appreciation for success in securing state resources. Understandably, the campus priority for serving their region often positions campus leaders at odds with a Statewide agenda. The question is not over whether there is conflict between the system and the campuses—conflict always exists. The critical question centers on whether or not the inevitable conflict is sufficiently managed to ensure successful joint efforts in delivering to Alaskans the education they need and deserve.

In most instances, the Statewide administration and the campuses have effective working relationships. However this is not universally the case. We found that mutual trust and respect seem to be missing in several Statewide-campus relationships. There is a sense at the campuses that Statewide too often bypasses campus leadership to achieve its objectives, and some campus deans and directors end run their campus leadership by going directly to Statewide. Campuses perceive that some Statewide staff don't understand campus culture or work schedule, and have little appreciation of what's on the campus plate. In campus terms, they view the essential Statewide service role as facilitating campus work, in a service mode responsive to the campus needs and recognizing that sometimes effectiveness at the local level is more important than efficiency or cost savings to the System. Statewide interviews yielded a concern that campuses are often institution-centric rather than student-centric, and can be blind to the needs of students who utilize the services of multiple campuses. At times, Statewide leaders argue that because "the campuses simply won't or can't" solve some problem, the System needs to take responsibility for an entire function rather than insisting that the campus address the problem.

We emphasize that in the midst of disagreement, frustration and conflict, we consistently heard campus leaders express great respect for the talent and intentions of their Statewide colleagues. This fundamental reservoir of respect will underpin whatever efforts the UA System makes to improve negative relations where they exist. Several of our recommendations, especially those calling for earlier and deeper engagement of campus leaders in decision-making, will help to strengthen the working culture in the System.

## Recommendations for a High Performing UA System

In our view, under the leadership of President Mark Hamilton and his team, the UA System has developed over the past decade into a high performing system. The catalogue of achievements is familiar to most in the System and the state. Increased public awareness of the importance of higher education to economic and social opportunity in the state, greater public investment, the addition of important programs and services all speak to a System that has substantially increased its service to the people of the state. The task facing the president and his team of System and campus leaders is to sustain the achievements of the past decade while substantially reducing the cost of delivering many of them.

Merely reducing costs, regardless of the consequences for quality, accountability, and service, would be easy for these experienced administrators. The challenge instead is to exercise good judgment in order to reorganize System offices, programs and services so as to reduce net costs while maintaining high levels of performance.

A useful template in responding to this challenge is to organize recommendations for streamlining and other changes in terms of the characteristics of high performance in systems.

### Strong Executive Leadership

- The University of Alaska enjoys exceptionally able executive leadership in its president. His team of senior System officers is recognized even by critics of the System as being bright, talented and committed to high standards of service. The current chancellors combine extensive experience in public affairs in Alaska and elsewhere with practical skill in getting things done. Few systems in the country can match this array of talent and experience.
- This group would be an even more effective team were the System to more deeply engage the chancellors in decision-making on the most important System problems, in setting strategic directions and addressing concerns over such perennially difficult topics as approving new doctoral programs, the budget request to the legislature, resource allocation among the campuses and the like. Monthly face to face meetings of the resident, the chancellors and the vice presidents (not the staff who report to them) is a commonly used venue for discussions at this level in many systems. In University systems, campus heads (whatever their titles) are far more than unit managers. As spokespersons for their institutions and powerful – and often very popular – symbols in their communities, these individuals in fact strengthen the public presence of the System as a whole.
- At the same time, collaboration would be improved if the chancellors routinely involved senior System executives in campus decisions that have implications for

the System office, or for the UA System as a whole, and particularly those decisions with visible impacts to significant external constituencies.

- Currently, there are too many System officers and functions reporting directly to the president. This flat reporting structure threatens to detract either from the time the chief executive can devote to his leadership and representational duties, or give short shrift to important administrative functions. We believe that aggregating planning and budget development, facilities management, and possibly information technology under the office of the vice president for administration would be a useful way of aligning responsibility, helping to ensure coordination in these interconnected administrative areas.

## A Simple, Clear Public Agenda

- Everyone we spoke to credits the president with communicating a clear, strong message about the linkage between investing in the University and a brighter economic future for the people of the state. The president defines this vision, articulates it cogently to policy makers and opinion leaders, and uses it to garner more resources for higher education. The University is acknowledged as understanding the needs of the state and doing a great job in focusing on workforce development. There is still work to be accomplished in obtaining public buy-in for research, and the public service role is uneven in its application.
- Having defined the agenda and secured support and funding for it, the trick for System leaders is to create incentives for the campuses to actually implement it. As a general rule, Statewide should resist the temptation to directly manage educational programs themselves, but instead should provide resources and other incentives for the universities—individually or in cooperation with each other—to get the job done. The argument that "the campuses won't do it" represents a failure of management or leadership, and should not serve as an excuse for the System stepping in prematurely. Statewide initiatives need linkage to the university's strategic plan, with accountability for outcomes.

## Fiduciary Capacity

- By all accounts, the System under President Hamilton's leadership has been highly effective at securing resources from the state legislature (and from the federal government as well). Judging from the opinions of the external auditors, there is also a high standard of accountability for funds as well. The accounting deficiencies of the 1970s have clearly been addressed.
- Planning and budget development appear to be well managed from a technical viewpoint. But we heard numerous tales from the campuses of problems with the *process* of assembling the budget. Campus officials complained of last minute demands for information and indifference to campus work schedules. Converting what is widely regarded as a highly directive process into a more collaborative one, with early campus engagement, would increase buy-in, and might improve the quality of the resulting product as well.

- The System has an effective, somewhat decentralized approach to facilities planning and management in which the bulk of the actual work is performed at the campuses, while a coordinator at the System level presents capital planning information to the Regents. A senior, experienced (preferably with an engineering background) facilities coordinator with good communications skills should be hired to replace the individual who recently resigned. This position should be located in Fairbanks to be close to other senior officers, and to the campus with the largest physical plant.
- Like every other statewide system, the UA System has become more sensitive to the importance of risk management. Currently, this is a highly centralized function. Other systems have found it more effective to divide responsibility for risk management such that the central office, with input from the campuses, defines the template for assessing risk, but the chancellors are charged with implementing risk assessment reviews and steps for remediation at their campuses. An annual report to the Regents on this process and its findings would help ensure that it remains a priority for campus leaders. The service function of insurance procurement, claims processing, and self-insured retention allocation should be clearly separated from risk management's governance and control functions to ensure a service philosophy pervades those functions. We recognize that the System office has in the past stepped in to fill risk management functions neglected at the campus level. Returning responsibility to the campus level will require a commitment of time and resources to risk management by campus leadership that exceeds past efforts.
- Information technology is mission critical to the UA System. The System office should maintain its primary responsibility for connecting the UA networks to the world, and providing sufficient bandwidth for internal traffic. It should develop a clear Enterprise Architecture model, communicating with the campuses to ensure MAUs align their strategic plans with Statewide's.
- OIT should develop a clear service catalog to identify all service lines and services, working with campus IT leadership to determine on a service-by-service basis which ones should remain in OIT and which should devolve to campuses. OIT should recognize itself as a service business, responding to the customer base and rolling out best practices of customer service.
- OIT, the IT Council, and the Project Executive Group should clearly articulate the requirements for future projects and the problems they are designed to serve: they should solicit ideas and practices from campuses before developing new solutions. The PEG should clearly communicate priorities and timelines for IT system improvements, and outsource when necessary to accomplish key automation improvements.
- The IT Council should focus on strategic information technology issues, leaving decisions on the business needs of the information systems to the Banner system owners (finance, human resources and student services). This could allow membership of the IT Council to be streamlined; its current over-inclusiveness comes at the cost of decision-making efficiency.

- The Banner support functions should include an outsource contractor for surge projects and to address, at campus cost, unique campus concerns. The Statewide office should focus on quality assurance and system security.
- OIT should begin a dialog with campus leaders on the future of MyUA, recognizing that past efforts are sunk costs, to determine where any future investment should be focused. An early decision needs to be made on the directory environment – whether monolithic or federated – to allow progress on directory services and identity management. Resolving identity management issues should be a high priority.
- Help desk and desktop support should be campus functions; Statewide staff needs in Anchorage and Fairbanks can be supported (through reimbursement contracts if necessary) by the campuses.

## Clarity of Responsibility and Authority

- At the most senior level in the System, there is no doubt that President Hamilton is in charge and provides overall leadership for public higher education in the state.
- But the System as a whole would be more effectively led and managed if there were a more precise and agreed-upon understanding of the apportionment of responsibility, accountability and authority between the System and the campuses. In general, we recommend that the decision-making processes, and indeed the whole culture, of the System evolve from a highly centralized model to a more collaborative one. The first step to achieving this would be for the president, the chancellors, and senior vice presidents to meet in a retreat setting with a well-defined agenda to develop a written statement of their *modus operandi*.
- The president and chancellors should delineate the responsibilities and roles of the various System councils. They should adopt a charter, clear delineation of responsibility, and chart the decision process flow for those Systemwide councils deemed necessary. We understand the current councils to be the Business Council, Community Campus Council, Development Council, Distance Education Steering Board, Educational Technology Team, Facilities Council, Human Resources Council, Information Technology Council, Public Relations Council, Risk Management Council, Statewide Academic Council, and Student Services Council. As useful as the councils are, it should be remembered that an advisory council member drawn from a campus is not a substitute for consultation with the formal leaders at the campus, especially the chancellor.
- It is critical that the System office differentiate between governance, service and program functions, focusing on the core governance mission and those service functions that provide the clearest benefits to campuses and the System.
- The University campuses need to reassume responsibility and accountability for administration and delivery of academic and research programs. This would require transfer of current Statewide health programs, corporate programs, teacher mentoring, K-12 outreach, and the Alaska Teacher Placement Program to

appropriate university campuses. We recognize a crucial Statewide role in incubating new programs and from time to time acting as "receiver" for problematic academic and support functions, but believe System office placement of academic programs should be limited to two or three years. Any System office hiring for academic programs should be in term positions to emphasize the temporary nature of Statewide academic programs.

- In the same vein, we believe that "mergers" of functions between the System office and any single university campus create role confusion and stimulate negative perceptions by the other campuses. It is politically far safer for a campus to provide services for Statewide staff and functions that are located in the campus' community than for Statewide to assume responsibility for one campus.
- We thus recommend that the combined human resource functions – recruitment, hiring, payroll, retention and dismissal – for UAF and Statewide's Fairbanks staff be managed by UAF, with Statewide retaining the System human resource policy functions and those functions serving all campuses. These roles could be performed by UAA for Statewide functions and staff located in Anchorage. Alternatively, if the System and campus leadership determine that additional human resource functions should operate on a service center basis, the Statewide-UAF model should be implemented on a system-wide basis, including UAA and UAS, with shared decision-making on key issues.
- As with HR, we recommend that the combined information technology functions for UAF and Statewide be managed by UAF, with Statewide retaining those functions that it provides for all the universities.
- There should be a stronger System office presence in Anchorage. Statewide is seen in Anchorage as allied with Fairbanks, even if Fairbanks doesn't see it that way. There are important programmatic reasons for a change, too – the University of Alaska Foundation and development functions need a visible Anchorage presence to accomplish their mission; legal services would be easier for UAA leadership to access with an Anchorage office; information technology staff recruitment would be easier in the larger Anchorage labor market; the legislative center for the state is in Anchorage for most of the year. We believe the Anchorage-based System offices should be co-located to avoid the isolation experienced by earlier efforts to base System office staff there, and to provide opportunities for sharing of support staff, equipment, and specialized space. Statewide should negotiate with UAA for human resources and information technology support to the Anchorage System offices.

## Models of Frugality

- Our perception is that System staff members are uncommonly talented and committed to their work. It is also our view that this may be too much of a good thing. In comparison with central offices elsewhere in the country, and indeed with the Alaska System itself a decade ago, the number of staff has increased significantly and the budget has grown by over 100 percent.

- We believe that total System expenditures can be reduced to the FY99 relative level in a combination of absolute reductions and the shifting of some programs and activities to the campuses, a total reduction of $15 million ($5 million in general funds and $10 million in other funds). The intention of this recommendation is not to create unfunded mandates that burden the universities, but to shift appropriate resources from the System to the campuses to cover the additional assignments.
- The System should make the process for calculating indirect cost recovery fully transparent to campus leaders, with annual review of the cost drivers and allocation based on those cost drivers. There should be an open periodic review of the allocation of indirect cost recovery revenues, and by reducing the current System office share of the indirect cost recovery rate below the current 12.8 percent. A decision to designate a portion of the reduction for support and incentives for research in areas critical to the economic future of the state would send a strong signal about System priorities. In short, greater transparency in both the cost recovery and revenue allocation process would benefit all parties.
- Greater transparency in the allocation of indirect cost recovery revenues, coupled with the current transparency on Statewide's allocation of other funds (such as UA Land Grant Trust Funds, and funds from BP Exploration (Alaska) and ConocoPhillips Alaska, for example), would for example make it readily apparent that the System office is now contributing significantly to UAF research efforts, to an extent greater than the System office has received in indirect cost recovery from UAF.

## Integral Decision-Making

- The importance of more deeply engaging the chancellors in discussions and decisions regarding fundamental System issues has been emphasized elsewhere in this report. When it comes to advocacy for resources in particular, greater engagement of campus and student leaders, both urban and rural, in a coalition in support of shared priorities would help make the case for sustained public support.
- We also recommend an effort across the board to engage campus personnel far upstream in decisions that affect their functional areas. In particular, the campus perceptions of arrogance on the part of a few System staff and of indifference to peak work times at the universities when requesting information need to be addressed by changes in staff communication and attitude.
- We recommend the System and campus human resources offices work together to create employment incentives for Statewide staff to have campus experience. Establishing an exchange program for Statewide staff to campuses, and vice versa, would improve the understanding of both parties' roles. Statewide hiring decisions for most positions should include campus experience as a factor (as is the case for Statewide human resources positions), and development of specific career paths between campus and Statewide should be a priority.

- Prior to initiating new projects at the System office, Statewide staff should be soliciting campuses for their expertise and ideas, and should be willing to modify project goals based on campus experience.

## Critical Self-Appraisal and Change

- The external reviews and reports commissioned by the System and focused on its own operations testify to a willingness to seek evaluations of processes and performance.
- By commissioning this study, and especially in naming an Advisory Committee of campus-based persons who were forthright in their criticism, System leaders provided further evidence of seeking constructive suggestions for improvement. Actually acting to implement some of the recommendations will further confirm the System's enthusiasm for reforming itself.
- The System office could show its commitment to continued self-appraisal by increasing budget transparency in the Statewide budget units. At a minimum, the budget should differentiate between governance, service and program functions, perhaps at the allocation level.
- The System office should begin development of a new UA strategic plan, since the current plan only extends through 2009. Under the leadership of the vice president for academic affairs, a new six-year planning process should build from the previous plan, incorporating the new campus and state environment and the campus planning efforts of the past several years. The plan should include a clear academic program review process in anticipation of the changing fiscal environment.
- We recommend that the System identify, in collaboration with campus colleagues, a set of metrics to evaluate System performance. Examples of measures might include System office cost per student, administrative cost per faculty member, changes in System office expenditures and staffing levels compared to expenditures and staffing changes at the MAUs, and total costs compared to peer systems (recognizing that the substantial differences in systems makes the 'peer' choice a challenging one).

These recommendations will take time to implement; they cannot be accomplished overnight. Many of the recommendations need further refinement that cannot be accomplished by outside consultants; they require the active participation and collaboration of System and campus officers. We believe the president, his key System office staff, and chancellors should develop a three-year plan to implement the recommendations.

## What a Streamlined UA System Would Look Like

A streamlined UA System would retain the critical strengths that have made it so successful over the past decade. Strong executive leadership, the clear public agenda so consistently articulated by that leadership, stringent fiscal management, and the readiness to engage in critical self-appraisal and create change based on those assessments would remain distinguishing features of the UA System.

But some things would change.

There would be a clearer understanding among all parties of the division of authority and responsibility between Statewide and the campuses. The division we have suggested—governance, service and program functions—may be a useful template in clarifying these distinctions. The System administration would become a leaner operation with fewer staff and lower overall costs. There would be more conversations among campus and System leaders earlier in the process of decision-making.

This more integrated model of arriving at strategic and operational policy decisions does not diminish the executive authority of the president, but it does ensure more dialogue before policy and administrative choices are made. Our recommendations are intended to assist this high-performing system to continue its exemplary service to the people of Alaska in a time when there may be fewer resources to carry out that noble purpose.

# Appendices

***Appendix A – Authors' Backgrounds***

**Terry MacTaggart** is an experienced leader and scholar in higher education. He recently completed a one-year assignment as the chancellor of the University of Maine System of seven universities, ten campuses, thirteen centers, a hundred learning sites and a distance education network. His consulting and research work focuses on higher education leadership and policy, strategic planning, turning around troubled institutions, trustee development and leadership evaluation. He has served as a faculty member and administrator at several public and independent colleges and universities where he has led or participated in substantial institutional turnarounds. He has held the chancellor's position at the Minnesota State University System and the University of Maine System, where he was asked to return for the 2006-2007 academic year.

He has served as a consultant and facilitator of board retreats for numerous colleges, universities and systems including the University of Connecticut, Rutgers, University of Nebraska System, the University System of Maryland, the University of North Carolina at Chapel Hill, East Carolina University, the Oregon University System, the University of Alaska System, the University of Northern British Columbia, the University of Victoria in British Columbia, the University of Houston System, Texas Southern University, the Texas Tech University System, the Massachusetts Maritime Academy, Johnson & Wales University, New England College, Endicott College, Fielding Graduate University and others.

He has served as Chair of the Commission on Institutions of Higher Education (CIHE) of the New England Association of Schools and Colleges (NEASC). He has led multiple visiting teams for several regional accrediting associations. He has served as a Fulbright Scholar to Thailand and to Vietnam as an expert on accreditation and quality assurance.

His research and publications focus on governance, improving relations between institutions and the public, and restoring institutional vitality. His most recent book, published by ACE/Praeger in 2007, is titled *Academic Turnarounds: Restoring Growth and Vitality to Challenged American Colleges and Universities.* With James Mingle, he authored *Pursuing the Public's Agenda: Trustees in Partnership With State Leaders.* In 1996, he served as the editor and lead author of *Restructuring Public Higher Education—What Works and What Doesn't in Reorganizing Public Systems.* Two years later he produced *Seeking Excellence Through Independence*, which focuses on rebalancing campus autonomy and accountability in order to achieve better results. In 2000, he wrote, along with Robert Berdahl, a study of the partial privatization of public institutions entitled *Charter Colleges: Balancing Freedom and Accountability.*

His academic credentials include a doctorate and master's degree in English Literature from Saint Louis University, a Master of Business Administration degree from St. Cloud University, and an honorary doctor of law degree from the American College of Greece. He is a member of Phi Beta Kappa.

## BRIAN ROGERS

### *Professional*

**Information Insights, Inc. Fairbanks, Alaska**

*Principal Consultant and Chief Financial Officer, 1996 to present.*

Management, economics, and public policy consulting firm. Principal author of a variety of economic and public policy research projects for state and local governments, nonprofit organizations, tribes and the private sector. Facilitator and mediator for stakeholder and regulatory processes, strategic planning and policy summits for a variety of Alaska clients.

**University of Alaska Statewide System, Fairbanks, Alaska**

*Vice President for Finance, 1988-95. Director of Budget Development, 1984-87.*

Policy-level position with broad responsibilities to the president. Led system office staff in finance, accounting, budget, facilities, computing, telecommunications, risk management, investment land management, and financial systems development.

**Superior Court, State of Alaska, Juneau, Alaska Special Master, 1992.**

With two other special masters, in accordance with instructions from the Superior Court, developed and mapped proposed Interim Reapportionment Plan for Alaska's Legislative districts for the 1992 election.

**Alaska State House of Representatives State Representative, Fairbanks, 1979 – 1982.**

Chaired University Budget Subcommittee; co-chaired Workers' Compensation Study Commission, Constitutional Convention Committee, Power Alternatives Committee, GO Bond Conference Committees. Served on Finance, Labor and Commerce, Permanent Fund, Transportation, Oil and Gas Taxation and Leasing Policy Committees.

### *Education*

**Kennedy School of Government, Harvard University**

Masters in Public Administration, 1984

Attended Trinity College, Brown University, University of Alaska.

### *Selected Civic and Professional*

Director, Alaska Communications Systems (NASDAQ: ALSK), since 2001, serve on Audit Committee, Compensation and Personnel Committee; Director, Usibelli Coal Mine, since 2007; Member, University of Alaska Foundation Investment Committee, since 1995.

Formerly: Regent, University of Alaska, 1999-2007, chair from 2003-3005; Co-Chair, Creating Alaska Advisory Committee for 50th Anniversary of State Constitutional Convention, 2004 – 2006; Trustee, Northern International University (Magadan, Russian Far East), 1992-2005; Member, University of Alaska Foundation Board of Trustees, 2000 – 2002; Member, Governor's Task Force on Jobs and the Economy, 2001; Chair, State of Alaska Long-Range Financial Planning Commission 1995 – 1996; Member, Governor-elect's Fiscal Policy Transition Team 1995, vice chairman, 1986; Member, Alaska Statehood Commission, 1980 – 1983

### *Appendix B – Members of the Advisory Committee*

Ro Bailey, Vice Chancellor of Administrative Services, University of Alaska Fairbanks

Megan Carlson, Chair, UA Staff Alliance; President, UAA Classified Employee Council; and Assistant to Associate Provost, University of Alaska Anchorage

Cathy Connor, President, UAS Faculty Senate and Associate Professor of Geology, University of Alaska Southeast

Jan Gehler, Dean, Community and Technical College, University of Alaska Anchorage

Jon Genetti, President, UAF Faculty Senate and Associate Professor of Computer Science, University of Alaska Fairbanks

Carol Griffin, Vice Chancellor for Administrative Services, University of Alaska Southeast

Lee Haugen, Director, University of Alaska Fairbanks, Northwest Campus

Bogdan Hoanca, Chair, Faculty Alliance; President, UAA Faculty Senate, and Associate Professor of Computer Information Systems, University of Alaska Anchorage

Linda Lazzell, Vice Chancellor for Student Affairs, University of Alaska Anchorage

Buck Sharpton, Vice Chancellor for Research, University of Alaska Fairbanks

Bill Spindle, Vice Chancellor for Administrative Services, University of Alaska Anchorage

## *Appendix C – Interview Schedule and Hearing Participants*

### *Interview Schedule*

October 1: Fairbanks
- President's Office
- Advisory Committee
- Hearing: Statewide – VP Administration departments

October 2: Juneau
- UAS Chancellor's executive team
- Hearing: Statewide – Information Technology departments

October 3: Anchorage
- UAS Chancellor's executive team
- Hearing: VP Academic Affairs departments
- Assoc. VP Budget and Planning
- Anchorage area regents and former regents

October 4: Fairbanks
- UAF Chancellor's executive team
- Hearing: Human Resources
- Fairbanks area regents and former regents

October 5: Fairbanks
- Advisory Committee

November 1: Juneau / Fairbanks
- UAS Chancellor
- VP Administration staff
- UAF Chancellor

November 2: Anchorage
- UAA Chancellor
- Statewide executives
- UAF Facilities
- UA Foundation
- UAA Director, Information Technology

November 5: Anchorage
- Chair, Board of Regents
- UAA faculty/staff open session
- UAA Director Business Services

### *Interviewees and Hearing Participants*

## *Statewide*

Mark R. Hamilton, President
Julie Baecker, Chief Risk Officer, Risk Management
Beth Behner, Associate Vice President Human Resources
Roger Brunner, General Counsel
Rebekah Cadigan, Risk Management
Myron Dosch, Controller
John Duhamel, Human Resources
Jim Durkee, Technology Oversight
Vickie Gilligan, Director HR Systems & Accounting
Mike Humphrey, Director Benefits
James Johnsen, Vice President, Administration
Dan Julius, Vice President Academic Affairs
Karl Kowalski, User Services
Julie Larweth, Business Office, Information Technology
Guy Lee, Information Technology
Linda Luper, Program Director, UA College Savings Plan
Jim Lynch, Chief Procurement Officer; Associate Vice President Finance, Procurement
Richard Machida, Senior Planning Engineer
Ramona McAfee, Director, Distance Education & Military Services
Mari Montgomery, Director, Land Management
Jim Mullen, Labor Relations Director
Saichi Oba, Assistant Vice President Student & Enrollment Management
Russell O'Hare, Chief Records Officer
Rory O'Neill, Applications Services
Karen Perdue, Associate Vice President Health Programs
Pat Pitney, Vice President Budget
Kris Racina, Director Labor Relations
Dave Read, Director, Internal Audit
Wendy Redman, Vice President University Relations
Kate Ripley, Director, Statewide Public Affairs
Michelle Rizk, Director, Budget
RayeAnn Robinson, Assistant Controller, Financial Systems
Anne Sakumoto, Director Training & Development
Richard Schointuch, Associate Vice President, Facilities
Jeanine Senechal, Director Classification, Comp & Recruitment
Steve Smith, Chief Information Technology Officer
Fred Smits, Infrastructure Technology Services
Joe Trubacz, Associate Vice President, Finance
Dave Veazey, Assistant Vice President Academic Affairs
Fred Villa, Associate Vice President Workforce Programs
Tammi Weaver, Chief Investment Officer, Cash Management & Investments
Gwen White, Director, Institutional Research

## *UA*

Mary Hughes, Chair, Board of Regents
Tim Brady, regent
Fuller Cowell, regent
Erik Drygas, regent
Cynthia Henry, regent
Carl Marrs, regent
Jeff Cook, former regent
Sharon Gagnon, former regent
Joe Henri, former regent
Ann Parrish, UA Foundation Chair and former regent
Joe Thomas, Alaska State Senator and former regent
Jeannie Phillips, Board of Regents Officer

### *UA Anchorage*

Fran Ulmer, Chancellor
Lauren Bruce, Center for Advancing Faculty Excellence
Denise Burger, Special Assistant to the Chancellor
Diane Byrne, IT Service Center Director
Megan Carlson, Chair, UA Staff Alliance; President, UAA Classified Employee Council; and Assistant to Associate Provost, University of Alaska Anchorage
Renee Carter Chapman, Vice Provost
Mike Driscoll, Provost
Larry Foster, Assistant Professor Mathematics
Jan Gehler, Dean, Community and Technical College
Bogdan Hoanca, Chair, Faculty Alliance, President, UAA Faculty Senate, and Associate Professor
Pam Jacobs, HRS Consultant
Linda Lazzell, Vice Chancellor Student Affairs
Tom Miller, Assistant Provost for Academic Affairs
Mia Oxley, Administration, School of Social Work
Stu Roberts, Associate Vice Chancellor Budget and Finance
Bill Spindle, Vice Chancellor Administrative Services
Rich Whitney, Chief Information Officer

### *UA Fairbanks*

Steve Jones, Chancellor
Ro Bailey, Vice Chancellor for Administrative Services
Jon Genetti, President, UAF Faculty Senate and Associate Professor
Lee Haugen, Director, Northwest Campus
Kathleen Schedler, Associate Vice Chancellor Facilities and Safety
Buck Sharpton, Vice Chancellor Research
Dana Thomas, Assistant Provost for General Studies

### *UA Southeast*

John Pugh, Chancellor
Mike Ciri, Director, Information Technology Services
Cathy Connor, President, UAS Faculty Senate and Associate Professor
Dick Dent, Vice Chancellor Student Services
Keith Gerken, Director, Facilities Services
Carol Griffin, Vice Chancellor Administrative Services
Kirk McCallister, Director Human Resources
Kevin Meyer, Director Public Affairs
Robbie Stell, Provost

We want to thank all of these individuals, and others whose names were inevitably missed in this listing, for the energy and enthusiasm they gave to this project.