

nn n
n n d c
n n y o A y

Prepared for the
Office of the President
University of Alaska

Dr. Terrence MacTaggart
Brian Rogers

February 1, 2008

• o Con n

Executive Summary 1
Introduction..... 3
 The Questions We Asked..... 4
Characteristics of High Performing Systems 5
 1. Strong Executive Leadership 5
 2. A Simple, Clear Public Agenda 5
 3. Fiduciary Capacity 5

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

But some things would change. There would be a greater understanding among all parties of the division of authority and responsibility between Statewide and the campuses. The division we have suggested — governance 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 system leaders earlier in the process of decision-making. This more integrated method 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 contacted 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 also contacted MacTaggart, the former system head of the Minnesota State University System, the Unive

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 does what” may be spelled out in administrative policies, these understandings are so 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 off the ground and then only for a defined period of time.

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 function embedded in various ways in each, the sheer geographic reach of their service areas,

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 terms 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 budget. While the UA System has occasionally turned to outsourcing for specific administrative functions requiring specialized technical talent, it has not outsourced 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 place Alaska's higher education institutions.

The third and more common option is to review and revise administrative functions. (b) (5) - DPP
ch

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, 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 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

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

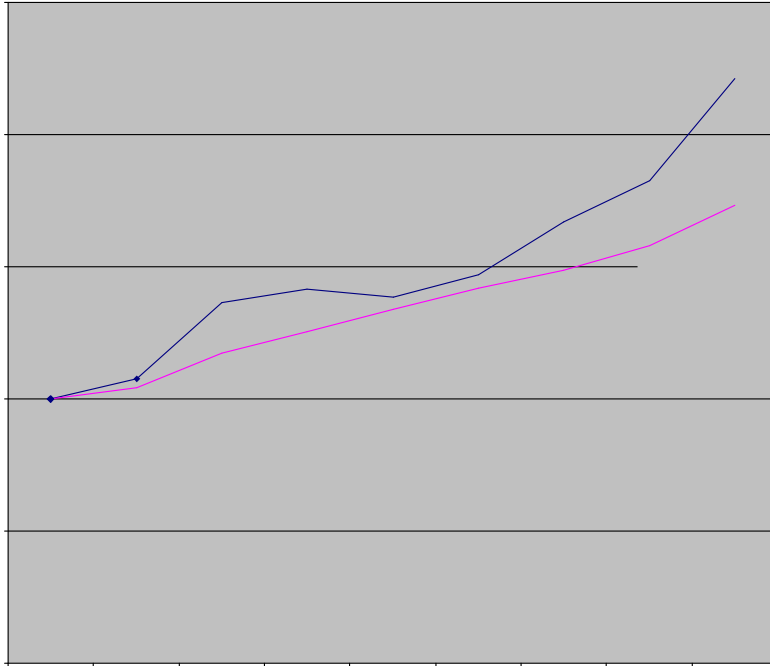


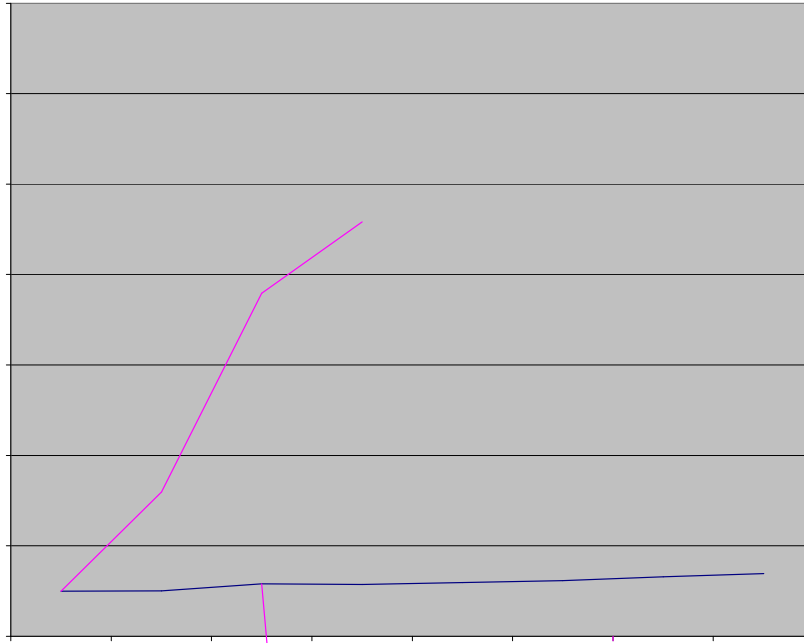
Figure 3 Relative Growth of UA Budget - General Fund

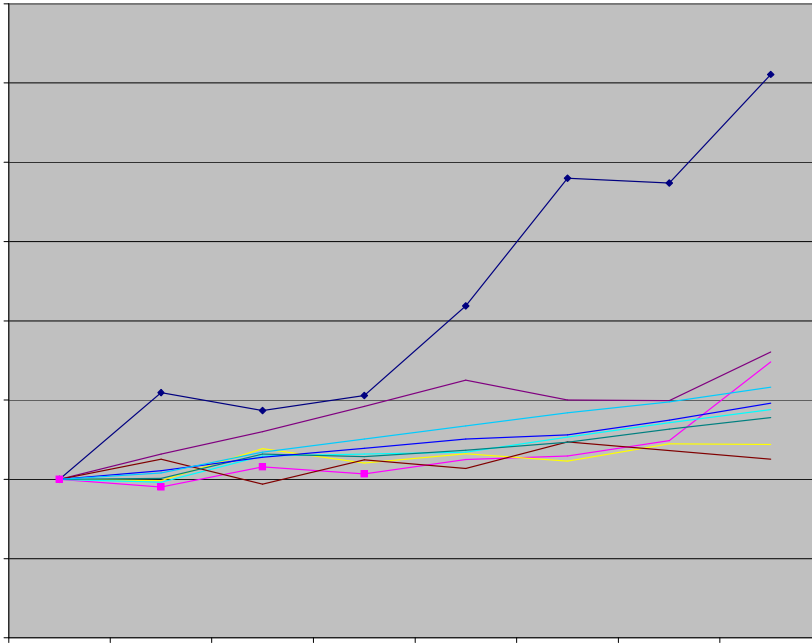
The result of this growth can be shown in the following Figure 4, showing the Statewide share of total funds and of general fund, growing from about 6.2 percent of the UA total budget (6.3 percent of general funds) to about 8.1 percent (7.7 percent of general funds).

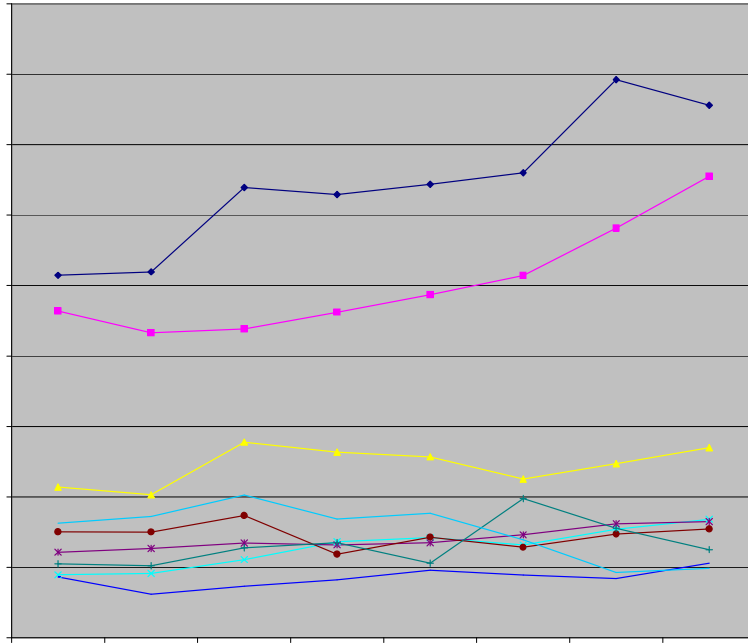


- Statewide programs – the portions of Statewide delivery academic, research or public service programs on a statewide basis.

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







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 unclear to a few people, and the plethora of councils and task forces diffuses accountability and responsibility. Campuses see a mixing of headquarters functions with operational conditions, with "situational floating spheres of influence" among the Statewide offices. Many campus leaders believe they spend too much time in meetings or preparing for state 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 than the regents.

Does Father Know Best?

Campus interviews repeatedly brought out resentment toward 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 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 and accreditation requirements?

the new Project Executive Group was created to address that concern. There is a desire for stronger efforts to prioritize the roll 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 management and service function. Some expressed concern that the office is over-involved, 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 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 invo

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

Our Perspective on the Relationships

Relationships and attitudes between System administrators and the campuses are always

- The System has an effective, somewhat decentralized approach to facilities planning and management in which the bulk of the 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 offices, 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 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 deans are charged with implementing risk assessment reviews and steps for mediation 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-retention allocation should be clearly separated from risk management governance and control functions to ensure a service philosophy pervades these 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 controlling the UA networks to the world, and providing sufficient bandwidth for internal traffic. It should dev

appropriate university campuses. We recognize our statewide role in
incubating new programs and from time to time act as “receiver” for
problematic academic 36(e)3.1956417(l)-2.53536(536w3krb)-0.957028(r)-136903(o)-0.9564

- We believe that total System expenditures can be reduced to the FY99 relative level in a combination of absolute reductions and shifts

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 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 retreats for numerous colleges, universities and systems including the University of Connecticut, Rutgers, University of Nebraska System, the University System of Maryland, 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 organizations. He has served as a Fulbright Scholar to Thailand and to Vietnam as an expert in accreditation and quality assurance.

His research and publications focus on governing, 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 a 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.

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

Mc(e33(r)-2191(m)15.493()u.3844493()045.758493(s)-3.054)8.v2.93191(e)-2.50657(r)-4.6023(h)-0.95849

