

## **Cost Analyses of University of Alaska System Office**

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Prepared for University of Alaska

by



National Center for Higher Education Management Systems

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# 1 Executive Summary

Faced with substantial cuts in state funding, the University of Alaska (UA) has been exploring options with regard to its organizational structure. In this context the UA System leadership asked the National Center for Higher Education Management Systems (NCHEMS) to conduct benchmarking analyses that will help answer questions such as:

- What administrative functions are performed at Statewide and at the Universities?
- What are the costs associated with performing the functions?
- What would be the effect on collective Systemwide administrative costs if those functions now performed at Statewide were devolved to the Universities?

To address these questions, NCHEMS conducted peer group analyses for each of the Universities and the System. NCHEMS also analyzed the internal UA System data to gather information needed to address the last of the questions stated above.

The primary findings of the analyses conducted are:

1. The University of Alaska Universities & System, on a per FTE student basis, spend considerably more than their peers. Part of this variation can be explained by cost of living differences. The prices of goods and services in Alaska are significantly higher than the US average.
2. While UA institutions spend more than their peers on administration, the shares spent on administration are lower – of the money they spend, relatively less is devoted to administration.
3. When expenditures made by the UA System Office on behalf of the institutions are allocated back to the Universities, System Office expenditures are very much in line with those of other systems.
4. Based on comparisons of students per employee, the greatest variations between UA institutions and peers are in the faculty ranks. While not within the scope of this study, this is an arena in which UA could achieve the greatest savings. Redesign of education delivery models will be an important consideration.
5. For a variety of reasons – chief among them the fact that the UA System and its universities are established as a single corporate entity – there are very few areas in which devolution of System functions to campuses might be considered. The largest of these are the Controller's Office and IT. Some other functions such as Chief Security Officer, Public Affairs, University Affairs, some portions of Risk Management and Title IX might be considered. Since Title IX is a designated Board priority, it is likely that a System Office to monitor progress in this area will be an on-going need.

As indicated by the recent reorganization of HR, savings were achieved by centralization, not decentralization. It is unlikely that substantial savings can be achieved by devolution of any of the candidate functions.

As a final note, it should be pointed out that none of these analyses address the topic of what organizational structure would best meet the needs of Alaska and its citizens—the structure that would best meet the Board Interests as expressed in Figure 1. Under the tenet that form should follow function, an approach that created a design for delivery of university services and then addressed the roles of the System and campuses in that context would be a superior approach.

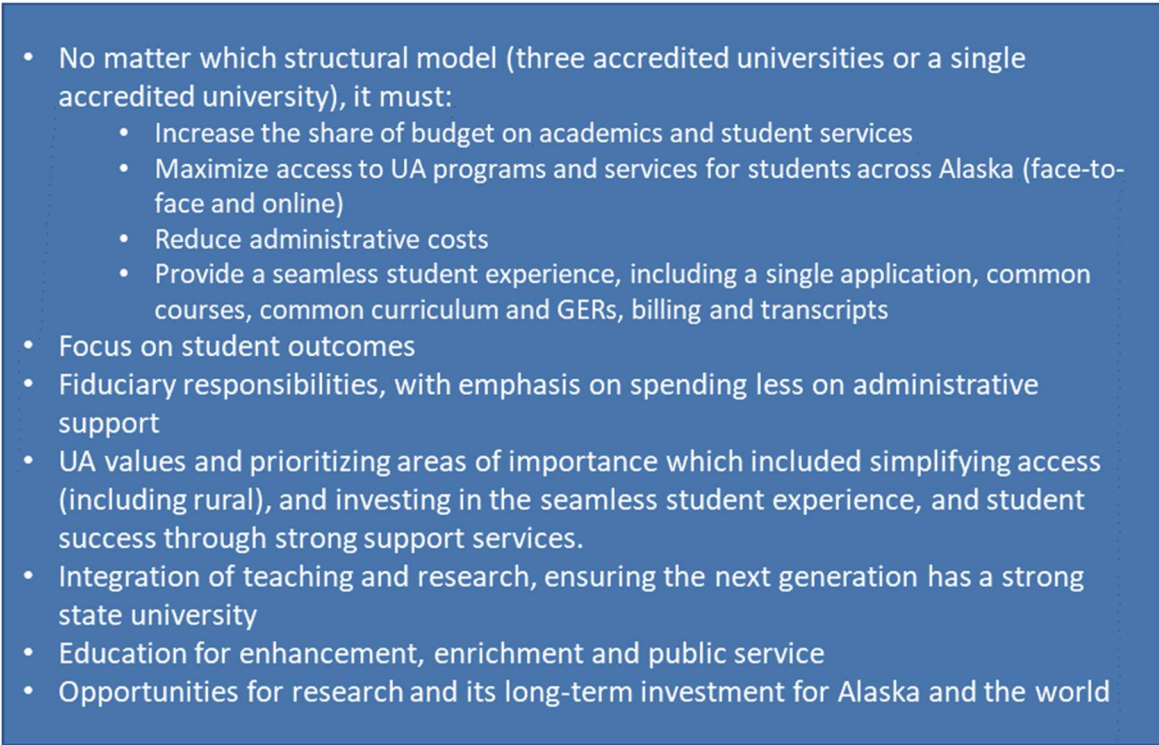
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## 2 Introduction

Faced with substantial cuts in state funding - \$70 million over three fiscal years, FY2020-2022 – the University of Alaska has been exploring options with regard to its organizational structure. In particular it is trying to ascertain what organization structure is a.) most cost effective while simultaneously b.) providing the highest level of service to the state of Alaska and its citizens.

Figure 1 lists criteria the University Board of Regents discussed to provide guidance to the decision processes in this arena.

**Figure 1. Board Interests, Expressed July 30, 2019**

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- No matter which structural model (three accredited universities or a single accredited university), it must:
    - Increase the share of budget on academics and student services
    - Maximize access to UA programs and services for students across Alaska (face-to-face and online)
    - Reduce administrative costs
    - Provide a seamless student experience, including a single application, common courses, common curriculum and GERs, billing and transcripts
  - Focus on student outcomes
  - Fiduciary responsibilities, with emphasis on spending less on administrative support
  - UA values and prioritizing areas of importance which included simplifying access (including rural), and investing in the seamless student experience, and student success through strong support services.
  - Integration of teaching and research, ensuring the next generation has a strong state university
  - Education for enhancement, enrichment and public service
  - Opportunities for research and its long-term investment for Alaska and the world

There are numerous options that could be explored, among them:

- A single institution with a single accreditation
- Two institutions – a university and a community college
- Three institutions – essentially the current configuration with either
  - More centralized back office operations, or
  - A much-reduced role for the System Office
- Four institutions – the existing three plus the addition of a specialized institution to provide a much-expanded catalog of on-line programs (for example Charter Oak in Connecticut and Empire State in New York).

While all four (and perhaps more) are legitimate options almost all attention has been focused on the first and third, likely because the legislature instructed the University to “study” the first option and because the third represents the status quo and, therefore, would create the least amount of

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organizational disruption. The push for the three institution option gained analytic support from work done by Dr. Joel Potter of UAA and made public in the UAA Faculty Senate document presented to the Board of Regents in February 2020. The analysis was directed at answering the question “What would be the effect on collective systemwide administrative costs if those functions now performed at statewide were devolved to the Universities?” The analyses as presented argued that “the three Universities compare favorably to peers while the Statewide/Office does not compare favorably to system offices in other Statewide systems,” the upshot was a call from the Faculty Senate for a structure in which the Chancellors report directly to the Board and essentially eliminate most Statewide functions, devolving these functions to the campuses.

It was against this backdrop that the leadership of the UA System asked the National Center for Higher Education Management Systems (NCHEMS) to “conduct benchmarking analyses that will help answer questions such as:

- What administrative functions are performed at Statewide and at the Universities?
- What are the costs associated with performing the functions?
- What would be the effect on collective Systemwide administrative costs if those functions now performed at Statewide were devolved to the universities?”

This document presents the results of those analyses. While the assignment was in no way directed at addressing the arguments presented in the UAA Faculty Senate document, the conclusions reached in this document serve to provide additional information to consider.

### 3 The Approach

In order to address the topics specified in the charge, NCHEMS undertook two types of analyses:

- A. The first involved creating peer groups for each institution and the system and doing comparative analyses. There is a very practical reason for using this approach. Many of the questions swirling around the University revolve around the questions of costs—is there evidence that costs could be reduced by changing the allocation of decision authority within the System? The reality is that there are no “right” costs in higher education—no standards that indicate what the costs **should** be. The alternative is to rely on comparative data from other institutions and systems. How does the University of Alaska stack up when compared with other systems and their constituent institutions with regard to overall levels of expenditures and the allocations of the money spent on different institutional functions—instruction, administration, etc.

The institutional peers utilized in the study were of two types:

- Peers selected by the institutions, with a very limited number of institutions added by NCHEMS. These peer groups have been vetted by the institutions and have been used in other University analyses.
- All institutions in broad Carnegie groups and within specified enrollment ranges
  - For UAA, Carnegie groups 18, 19, 20 and FTE 5-15,000
  - For UAF, Carnegie groups 15, 16, 17 and FTE <10,000
  - For UAS, Carnegie groups 19, 20, 23 and FTE <4,000

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The peers for the UA System Office (aka Statewide) were also of two types

- All public university systems excluding those systems comprised solely of community colleges
- The smaller systems as determined by combined FTE enrollments of systems with a diverse array of constituent institutions.

For each of these groups, NCHEMS applied the following metrics:

- Expenditures per FTE Student
  - Total “abbreviated” expenditures – expenditures less scholarships, hospitals, auxiliary enterprises, independent operations, and “other” expenditures. Depreciation is also omitted.
  - Expenditures per FTE student on Institutional Support (administration).
  - Shares of expenditures per FTE student devoted to the various institutional functions—instruction, research, ...institutional support, etc.
    - As a percent of the total “abbreviated” expenditures
    - As a percent of the “abbreviated” total less Research and Public Service. This particular set of comparisons was developed to remove the variations introduced by expenditures on functions that aren’t core to all institutions in the comparison set.

In addition, NCHEMS calculated these metrics for the combined System Office and constituent campuses.

To augment comparisons based on financial (expenditure) data, NCHEMS also looked at comparative data on staffing patterns for the same sets of peer institutions and systems. Specifically, numbers of FTE students per numbers of employees in the following categories

- Full-time Faculty
- Part-time Faculty
- Full-time Academic Support
- Full-time Management
- Full-time Finance
- Full-time IT
- Full-time Office/Administrative Support

Analyses in most categories were confined to full-time employees because they constitute the overwhelming numbers of employees in all employee categories except faculty.

For purposes of this study the numbers of academic support, management, finance, and IT personnel are particularly relevant because these categories are typically viewed as constituting the “administrative” employees of institutions and systems.

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- B. In addition to the peer group analyses, NCHEMS also took an entirely different approach to addressing the question. The second approach involved:
- Reviewing the expenditures (and staffing) of various System Office functions within the University of Alaska
  - Identifying those functions that could feasibly be considered for devolution to the three institutions
  - Attempting to assess the cost consequences of this devolution

These analyses provide considerable grist for discussions about the appropriate organizational structure for the University of Alaska.

## 4 The Complications

Before leaping into a presentation of analytic results, it is important to understand some of the limitations/complications associated with the approach utilized. There are no better options, but there are limitations that make it important to consider the entire body of evidence, not single elements considered in isolation. These complications are more evident at the University of Alaska and its constituent campuses than in most other settings. They include the following:

- The difficulty of finding good peers for UA institutions.

Each of the institutions is idiosyncratic in some way. UAA has the characteristics of a typical regional public comprehensive (AASCU) institution of medium size. However, this simple picture is confounded by the fact that it has a community college, not just appended, but fully integrated, as part of its mission and structure. The dual mission institutions in Utah come close to being similar but the number of institutions that check all the boxes is small.

UAF is an even more difficult case. It's a very small University with a very large research program. The presence of an attached community college – attached but not embedded – makes UAF different from other research universities, regardless of size.

UAS is similarly complicated, being essentially a small community college with a mission that encompasses not only baccalaureate programs but master's programs as well.

The difficulties associated with finding comparison institutions that are close to UA institutions on the full range of desirable dimensions are largely offset by two factors:

1. The nature of the assignment. Because the focus of the study is on administrative costs, the nature of the academic programs offered by the institutions are somewhat less critical to the analyses. This allows peers based on size and general Carnegie class to be used as a mechanism for confirming (or raising questions about) the results obtained from analyses of data about the institutionally selected set of comparison institutions.
2. Great precision is not required. A few percentage points variation from comparison group norms does not point to a substantive difference. It is circumstances in which an Alaska institution exhibits behavior significantly different from group norms that signals a cause for attention.

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The problem of finding a comparison group for the System is even more complicated. As the head of the New England Commission for Higher Education (the regional accrediting body for New England) recently noted, “when you’ve seen one system, you’ve seen one system.” This is a way of saying that systems vary enormously along a whole array of dimensions:

- Size – from UA’s 17,500 FTE to Cal State’s 430,000
- Evolutionary history
  - Systems created by the evolution of branch campuses into free-standing campuses (the University of Colorado)
  - Systems created through the amalgamation of a group of individual campuses (University of Wisconsin system)
- Political culture of the state
  - States that have a culture of strong centralized control (Hawaii)
  - States that have a culture of decentralization (Illinois)
- Types of constituent institutions
  - All institutions in a particular sector (California State University System)
  - All public institutions in the state (North Dakota University System)
  - All public four-year institutions in the state (Iowa Board of Regents, Arizona Board of Regents)
  - All of the public institutions in a geographic region of a state (City University of NY that serves New York City and State University of NY that serves the rest of the state)
- Functions performed at the system level
  - Few functions performed centrally with most functions devolved to campuses
    - Arizona
    - Iowa
  - Many functions centralized (University System of Georgia)
  - All variations in between

This extreme diversity in the nature and functioning of systems makes comparisons extremely difficult, particularly if attempts are made to make system-to-system comparisons. Some of the variation in functions can be ameliorated by making comparisons of systems in their entirety – using data about system offices plus those for the constituent campuses. This does not, however, alleviate the problems associated with variations in size and institutional composition. This does not mean that comparisons should not be made; it does mean that results should be interpreted very carefully.



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## 5 Summary Findings

### A. Institutional Expenditures

The first observation is that UA institutions have high expenditures per FTE student. Data for both peer groups (institution-selected and peers chosen on the basis of Carnegie class and size) indicate that expenditures at UA institutions are significantly greater than group averages, in generally the same amount for both peer groups. It is likely that the gap has been reduced somewhat by recent UA budget cuts, but a significant difference would still remain. The data supporting this statement are presented in Figure 2.

**Figure 2. Expenditures per FTE Student**

#### Institutional Peers

	Total	Total with Research and Public Service Removed
UAA	26,449	22,726
Group Average	18,359	16,072
UAA/Group	144%	141%
UAF	75,855	42,337
Group Average	35,888	24,645
UAF/Group	206%	172%
UAS	33,527	32,271
Group Average	22,925	21,289
UAS/Group	147%	152%

#### Carnegie Peers

	Total	Total with Research and Public Service Removed
UAA	26,449	22,726
Group Average	18,649	17,595
UAA/Group	142%	129%
UAF	75,855	42,337
Group Average	34,539	26,790
UAF/Group	220%	158%
UAS	33,527	32,271
Group Average	25,550	19,794
UAS/Group	131%	163%

Source: NCHEMS NCES IPEDS Finance Survey, 2017-18

For institution by institution detail see Appendix Figures A1 through A3. (Pages 22-23)

Having established the overall funding levels at UA institutions relative to their peers, the allocation of those funds by function represent the next level of analysis. The results of these analyses are shown in Figure 3.



**Figure 3. Expenditures per FTE Student, by Function, as a % of Group Averages**

**Institutional Peers**

	Instruction	Research	Public Service	Academic Support	Student Service	Institutional Support	Plant O&M	Total
UAA	\$11,828	\$1,945	\$1,778	\$2,686	\$3,020	\$3,103	\$2,089	\$26,449
Group	\$7,884	\$937	\$1,350	\$2,100	\$1,834	\$2,524	\$1,730	\$18,359
UAA / Group	150%	208%	132%	128%	165%	123%	121%	144%
UAF	\$17,922	\$26,649	\$6,869	\$7,078	\$4,474	\$5,731	\$7,132	\$75,855
Group	\$12,446	\$8,525	\$3,718	\$3,403	\$2,444	\$3,357	\$2,995	\$36,888
UAF / Group	144%	313%	185%	208%	183%	171%	238%	206%
UAS	\$15,284	\$1,021	\$235	\$4,069	\$3,530	\$6,335	\$3,053	\$33,527
Group	\$9,278	\$526	\$1,110	\$2,668	\$2,612	\$4,397	\$2,334	\$22,925
UAS / Group	165%	194%	21%	153%	135%	144%	131%	147%

**Carnegie Peers**

	Instruction	Research	Public Service	Academic Support	Student Services	Institutional Support	Plant O&M	Total
UAA	\$11,828	\$1,945	\$1,778	\$2,686	\$3,020	\$3,103	\$2,089	\$26,449
Group	\$8,689	\$386	\$668	\$2,179	\$2,237	\$2,557	\$1,933	\$18,649
UAA / Group	136%	504%	266%	123%	135%	121%	108%	142%
UAF	\$17,922	\$26,649	\$6,869	\$7,078	\$4,474	\$5,731	\$7,132	\$75,855
Group	\$13,341	\$6,327	\$1,422	\$3,459	\$2,427	\$4,396	\$3,167	\$34,539
UAF / Group	134%	421%	483%	205%	184%	130%	225%	220%
UAS	\$15,284	\$1,021	\$235	\$4,069	\$3,530	\$6,335	\$3,053	\$33,527
Group	\$8,984	\$4,998	\$758	\$2,156	\$2,192	\$4,090	\$2,372	\$25,550
UAS / Group	170%	20%	31%	189%	161%	155%	129%	131%

The data in Figure 3 indicate that, with only two exceptions (research and public service at UAS), UA System institutions spend considerably more than peers on all functions. Part of this disparity can be attributed to the fact that Alaska has a very high cost of living and UA institutions pay a premium for the purchase of goods and services. But another reason is that UA has suffered a substantial decline in enrollments over the last decade and the institution, until a year ago, was not faced with the necessity of adjusting expenditures in proportion. When enrollment numbers decrease faster than expenditures, expenditures per student inevitably increase.

Two points in particular are worth noting with regard to these data

- To some extent the high expenditures per FTE student are driven by the relatively high expenditures for research at the UA institutions.

- When looking at expenditures on a function-by-function basis, expenditures on institutional support (administration) are least out-of-line in comparison with peer institutions – still high but not as high as other functions.

For institution by institution detail regarding administrative expenditures per FTE Student see Appendix Figures A4 through A6. (Pages 23-24)

Because research expenditures play such an inordinately large role in the overall expenditures per FTE student numbers, the totals were recalculated for both peer groups omitting expenditures for research (and public service). This results in substantial changes, especially for UAF and in the Carnegie peer group for UAA, as well. Interestingly, UAS compare less well in both comparisons because of the comparatively small levels of expenditures for research and public service at that campus

**Figure 4. Institutional Expenditures per FTE Student as a % of the Group Averages, Research and Public Service Excluded from Totals**

#### Institutional Peers

	Instruction	Academic Support	Student Service	Institutional Support	Plant O&M	Total
UAA	\$11,828	\$2,686	\$3,020	\$3,103	\$2,089	\$22,726
Group	\$7,884	\$2,100	\$1,834	\$2,524	\$1,730	\$16,072
UAA / Group	150%	128%	165%	123%	121%	141%
UAF	\$17,922	\$7,078	\$4,474	\$5,731	\$7,132	\$42,337
Group	\$12,446	\$3,403	\$2,444	\$3,357	\$2,995	\$24,645
UAF / Group	144%	208%	183%	171%	238%	172%
UAS	\$15,284	\$4,069	\$3,530	\$6,335	\$3,053	\$32,271
Group	\$9,278	\$2,668	\$2,612	\$4,397	\$2,334	\$21,289
UAS / Group	165%	153%	135%	144%	131%	152%

#### Carnegie Peers

	Instruction	Academic Support	Student Service	Institutional Support	Plant O&M	Total
UAA	\$11,828	\$2,686	\$3,020	\$3,103	\$2,089	\$22,726
Group	\$8,689	\$2,179	\$2,237	\$2,557	\$1,933	\$17,595
UAA / Group	136%	123%	135%	121%	108%	129%
UAF	\$17,922	\$7,078	\$4,474	\$5,731	\$7,132	\$42,337
Group	\$13,341	\$3,459	\$2,427	\$4,396	\$3,167	\$26,790
UAF / Group	134%	205%	184%	130%	225%	158%
UAS	\$15,284	\$4,069	\$3,530	\$6,335	\$3,053	\$32,271
Group	\$8,984	\$2,156	\$2,192	\$4,090	\$2,372	\$19,794
UAS / Group	170%	189%	161%	155%	129%	163%

Given that the UA System institutions spend more per FTE student than most of their peers, the next question is “of the money they spend, how (on what functions) are they spending it?” Part of the answer has already been provided by the function-by-function calculations (See

Figure 3 and Figure 4). Another approach is to calculate the shares of expenditures each institution devotes to various functions – regardless of expenditures per student. Is there evidence that UA institutions are spending an inordinate amount on administration? The answer is “no.” For both peer groups and calculating expenditures per student by functions, for all functions and with research and public service removed, UAA and UAF allocate a smaller percentage of their resources to administration than their peers (Figure 5 and Figure 6). UAS spends a smaller share than its institutional peers on administration, but a larger share than its Carnegie peers. When research and public service expenditures are removed, UAS spends a smaller share in comparison to both groups.

**Figure 5. Shares of Expenditures by Function as a Percent of Group Averages**

**Institutional Peers**

	Instruction	Research	Public Service	Academic Support	Student Service	Institutional Support	Plant O&M
UAA	45%	7%	7%	10%	11%	12%	8%
Group	43%	5%	7%	11%	10%	14%	9%
UAA / Group	105%	140%	100%	91%	110%	86%	89%
UAF	24%	35%	9%	9%	6%	8%	9%
Group	34%	23%	10%	9%	7%	9%	8%
UAF / Group	70%	152%	90%	101%	89%	83%	116%
UAS	46%	3%	1%	12%	11%	19%	9%
Group	41%	2%	5%	12%	11%	19%	10%
UAS / Group	112%	132%	14%	104%	92%	98%	89%

**Shares of Expenditures by Function as a Percent of Group Averages**

**Carnegie Peers**

	Instruction	Research	Public Service	Academic Support	Student Services	Institutional Support	Plant O&M
UAA	45%	7%	7%	10%	11%	12%	8%
Group	47%	2%	4%	12%	12%	14%	10%
UAA / Group	96%	355%	188%	87%	95%	86%	76%
UAF	24%	35%	9%	9%	6%	8%	9%
Group	39%	18%	4%	10%	7%	13%	9%
UAF / Group	61%	192%	220%	93%	84%	59%	103%
UAS	46%	3%	1%	12%	11%	19%	9%
Group	35%	20%	3%	8%	9%	16%	9%
UAS / Group	130%	16%	24%	144%	123%	118%	98%

**Figure 6. Shares of Expenditures by Function as a % of the Group Average  
Research and Public Service Excluded**

**Institutional Peers**

	Instruction	Academic Support	Student Service	Institutional Support	Plant O&M
UAA	52%	12%	13%	14%	9%
Group	49%	13%	11%	16%	11%
UAA / Group	106%	90%	116%	87%	85%
UAF	42%	17%	11%	14%	17%
Group	51%	14%	10%	14%	12%
UAF / Group	84%	121%	107%	99%	139%
UAS	47%	13%	11%	20%	9%
Group	44%	13%	12%	21%	11%
UAS / Group	109%	101%	89%	95%	86%

**Shares of expenditures by Function as a Percent of Group Averages,  
Research and Public Service Excluded**

**Carnegie Peers**

	Instruction	Academic Support	Student Service	Institutional Support	Plant O&M
UAA	52%	12%	13%	14%	9%
Group	49%	12%	13%	15%	11%
UAA / Group	105%	95%	105%	94%	84%
UAF	42%	17%	11%	14%	17%
Group	50%	13%	9%	16%	12%
UAF / Group	85%	129%	117%	82%	143%
UAS	47%	13%	11%	20%	9%
Group	45%	11%	11%	21%	12%
UAS / Group	104%	116%	99%	95%	79%

In summary:

- UA System institutions spend more than comparable institutions on a per FTE student basis.

- Of the expenditures made, they
  - Spend more on administration than their peers, but
  - They spend a smaller **share** of expenditures on administration

## B. System Expenditures

In addition to an in-depth look at institutional expenditures, NCHEMS staff also looked at System-level expenditures:

- For the system office alone, and
- For total expenditures (System office plus sum of campuses)

In analyzing data in this regard, NCHEMS incorporated data from a.) all public 4-year systems (excluding systems comprised only of community colleges), and b.) a selected set of smaller systems. In the tables that follow, the former group of systems is labeled the “large group” and the second the “small group”. The systems that are included in these two groups, along with the combined enrollments of their constituent institutions, are listed in the Appendix, Figures A11 and Figures A12. It should be noted that only one system, the Vermont State College System, is smaller than UA.

These analyses have led to the following observations.

1. On a per-student basis, the University of Alaska System spends more in total expenditures than the averages for either of the comparison groups (See Figure 7). This is true for all expenditure categories with the single exception of academic support vis-à-vis the small comparison group. The categories in which UA is most different are research (UAF in particular does a lot of research for an institution of its size) and institutional support/administration.

**Figure 7. Expenditures per FTE Student – UA System Relative to Groups (UA System Office plus Sum of Institutions)**

	Instruction	Research	Public Service	Academic Support	Student Service	Institutional Support	Plant O&M	Total
UA	13,939	9,289	3,182	4,117	3,498	6,298	3,833	44,156
Large Group	12,402	5,461	2,343	4,007	2,218	3,698	2,356	32,485
Small Group	13,668	6,705	3,090	4,946	2,422	4,445	2,787	38,063
UA/Large Group	112%	170%	136%	103%	158%	170%	163%	136%
UA/Small Group	102%	139%	103%	83%	144%	142%	138%	116%

Although UA spends more on Institutional Support/Administration than group averages, the data in Figures A7 and A8 (pages 25 and 26) show that there are systems that spend more.



2. Since UA spends more per student than most other systems, it is useful to look at shares of expenditures on different functions. As shown in Figure 8 and Figure 9, UA spends a greater proportion of its system resources on administration than the averages of either group.

**Figure 8. UA System Share of Expenditures relative to Groups Averages**

**Large Group**

	Instruction	Research	Public Service	Academic Support	Student Service	Institutional Support	Plant O&M
UA	32%	21%	7%	9%	8%	14%	9%
Group	38%	17%	7%	12%	7%	11%	7%
UA / Group	84%	124%	100%	75%	114%	127%	129%

**Small Group**

	Instruction	Research	Public Service	Academic Support	Student Services	Institutional Support	Plant O&M
UA	32%	21%	7%	9%	8%	14%	9%
Group	36%	16%	8%	13%	6%	12%	7%
UA / Group	89%	131%	88%	69%	133%	117%	129%

**Figure 9. UA System Share of Expenditures Relative to Group Averages  
Research and Public Service Excluded**

**Large Group**

	Instruction	Research	Public Service	Academic Support	Student Service	Institutional Support	Plant O&M
UA	44%	0	0	13%	11%	20%	12%
Group	50%	0	0	16%	9%	15%	10%
UA / Group	88%	0	0	81%	122%	133%	120%

**Small Group**

	Instruction	Research	Public Service	Academic Support	Student Services	Institutional Support	Plant O&M
UA	44%	0	0	13%	11%	20%	12%
Group	48%	0	0	17%	9%	16%	10%
UA / Group	92%	0	0	76%	122%	125%	120%

It should be noted that several of the system offices in the larger group reported to IPEDS no expenditures for institutional support. This defies credulity. It is possible that they allocate all

System expenses to campuses, but not possible that there are no System-level expenses for administration. This observation does not negate the reality that UA spends a greater than average amount on institutional support. It does, however, remind us that the analyses must be interpreted with an open mind. Reference to Figure A9 also indicates that there are systems that spend a higher proportion of their resources on administration.

3. UA System Office expenditures constitute a higher proportion of overall system expenditures than is the norm for other systems. As shown in Figure 10, the UA System Office share of UA System expenditures is 5.2% as compared to 3.6% for the large group average and 3.9% for the small group average.

**Figure 10. UA System Office Expenditures/FTE Student as a Percentage of System Totals**

	System Office	Sum of Institutions	Total	System Office Share
UA	2,294	41,862	44,156	5.2%
Large Group	1,173	31,526	32,699	3.6%
Small Group	1,450	36,206	37,652	3.9%

Because a very large proportion of all system level expenditures are identified in the institution support/administration category, it is useful to look more closely at expenditures in this category (Figure 11). For more detail see Appendix Figures A7-A10.

**Figure 11. Expenditures/FTE Student on Institutional Support – UA and Comparison Systems**

	System Office	Sum of Institutions	Total	System Office Share
UA	2,143	4,155	6,298	34.0%
Large Group	738	3,002	3,739	16.5%
Small Group	1,119	3,397	4,516	24.8%

By all comparative measures, UA spends more on administration than (almost all) other systems.

### C. Staffing Comparisons

As an additional level of analysis, NCHEMS staff compared UA System staffing patterns to those of other systems. The summary data are presented in Figure 12. These data are for Systems offices plus those for the sum of constituent campuses. It should be noted that, in these tables, percentages in **excess** of 100% indicate efficiencies because this reflects more students served per employee.



**Figure 12. FTE Students per Employee, by Category, System Office plus Sum of Institutions**

**Large Group**

	Full-time Faculty	Part-time Faculty	Full-time Academic Support	Full-time Management	Full-time Finance	Full-time IT	Full-time Admin Support
UA	10.4	14.5	159.3	49.1	142.4	80	23.4
Large Group Average	18.6	40.9	140.3	81.3	97.2	86	49.5
UA / Group	56%	35%	114%	60%	147%	93%	47%

**Small Group**

	Full-time Faculty	Part-time Faculty	Full-time Academic Support	Full-time Management	Full-time Finance	Full-time IT	Full-time Admin Support
UA	10.4	14.5	159.3	49.1	142.4	80	23.4
Small Group Average	15.4	41.9	120.2	57.1	91.2	54	35.4
UA / Group	68%	37%	133%	86%	136%	148%	66%

These data indicate that:

1. UA campuses have a large number of faculty – both full-time and part-time – relative to numbers of FTE students.
2. Collectively, the UA System has fewer academic support, finance professionals, and IT professionals (compared to small systems). The UA System has more management and administrative support professionals relative to enrollments than most other systems – although the number of managers is not substantially different from those of other smaller systems.
3. The low percentage for Full-time Management vis-à-vis the large group average is partially a function of scale. Systems have one president whether the system enrolls 17,000 students or 450,000.
4. The summary of data for only the System Offices without inclusion of constituent campus data is presented in Figure 13. These data indicate that the UA System Office has a large number of administrative employees relative to the size of the system's enrollment. This would be an issue were it not for the fact that overall numbers of administrative employees (when system office and institutional staff are looked at in total) are within parameters that make them look efficient. The interpretation of this is that UA centralizes some functions in ways that reflect poorly on the system office but that serve the system well.

**Figure 13. Number of System FTE students per UA System Office Employee**

**Large Group**

	Management	Finance	IT	Academic Support
UA	350	547	438	-
Large Group Average	2,713	4,071	9,453	12,300
UA / Group	13%	13%	5%	-

**Small Group**

	Management	Finance	IT	Academic Support
UA	350	547	438	--
Small Group Average	1623	1804	7149	1596
UA / Group	22%	30%	6%	--

## 6 Analyses of Internal UA Data

As noted earlier in this report, IPEDS data have limitations that can be, at least partially, overcome by utilizing internal university data. Acquiring data from all comparison systems was beyond the scope of this project. However, a review of UA internal data provided information important to addressing the question at hand. The review of UA data led to the following observations.

### A. The Level of Expenditures on Systemwide Functions is Overstated in IPEDS Reporting

According to internal UA data, total expenditures at the UA System Office were approximately \$40.2 million. However, a review of internal data reveals that \$13.37 million of that amount was comprised of expenditures made on behalf of the campuses – for claims costs and IT purchases (network access and software and hardware maintenance), see Figure 14.

**Figure 14. System Expenditures Made on Behalf of Campuses**

	Source	Description	Total	SW	UAA	UAF	UAS
(1) (A)	80357	Insurance Premiums	\$3,346,348	\$64,585	\$1,214,390	\$1,913,107	\$154,267
(1) (A)	80359	Claims costs (non Work Comp)	2,113,763	40,796	767,084	1,208,438	97,444
(1) (B)	80113	Worker's Comp Claims	1,941,126	37,464	704,435	1,109,742	89,486
(2) (C)	Per IT	AT&T, Community Campus WAN	878,348	43,923	316,655	470,493	47,277
(2) (C)	Per IT	AlasConnect, UA network services	156,000	7,801	56,240	83,563	8,397
(2) (C)	Per IT	Pacific NW GigaPop, Internet2	312,140	15,609	112,530	167,200	16,801
(2) (C)	Per IT	ACS, Core WAN, commodity internet	1,526,548	76,337	550,339	817,706	82,165
(2) (C)	Per IT	GCI, community campus WAN	382,200	19,112	137,788	204,728	20,572
(2) (C)	Per IT	Software Mtc	2,853,286	142,682	1,028,645	1,528,383	153,576
(2) (C)	Per IT	Hardware Mtc	324,682	16,236	117,052	173,918	17,476
Total			\$13,834,441	\$464,545	\$5,005,158	\$7,677,278	\$687,461

(1) Allocation basis for Premiums & Claims, per Risk Allocation		1.93%	36.29%	57.17%	4.61%
(2) Allocation basis for IT Costs, based on total FY19 Expenditures		5%	36%	54%	5%
Total FY19 Expenditures per Yellowbook	\$811.90	\$40.60	\$292.70	\$434.90	\$43.70

(A) These costs are recovered through Intra-UA Revenue

(B) These costs are recovered through the fringe benefit rate

(C) Some of these costs are recovered through Intra-UA Revenue and Fees charged to students.

However, such recovery is not designed to precisely and totally cover these costs.

Had the \$13.37 million been reported as campus expenditures the UA System Office share of total expenditures would be 3.5% rather than 5.2% (see Figure 10), an amount less than the group averages for both the small (3.9%) and large (3.6%) groups. This number is very much in line with spending shares of the Maine, Massachusetts, Missouri, and Tennessee systems as their data were reported to IPEDS.

**B. Not all System office functions can be devolved to the campus. For a variety of reasons, a System Office with some functions must remain in place. Among the reasons:**

1. The Board and President – along with their duties (stated very broadly) – are established in the Alaska constitution. Moving from an arrangement in which there is a single board and executive officer overseeing a single University to one in which there are separate boards for each campus would require a change in the constitution. This means that the Board and the offices that support the Board must remain intact.
2. The University is created as a single corporate entity. As a consequence, there are certain corporate functions that necessarily are performed centrally. These include:

Function	Expenditure Level
• Internal audit	\$510K
• Investment management	\$231K
• Labor relations	\$372K
• Land Management	\$4,810K

The expenditure levels include compensation and all other expenditures of these offices. The expenditures on these functions sum to \$5.92 million and the offices of the Board and

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President add another \$1.21 million. This leaves a remainder of \$19.7 million that could possibly be reallocated as a maximum.

3. Some additional functions also are needed in support of the functioning of the Board. While there can be some quibbling about the list of these functions, the following are offered as candidates.

- Chief Finance Office \$343K
- UA Relations/Strategy Planning & Budget \$571K
- Government Relations \$600K

In addition, a portion of the following functions also need to be maintained at the system level.

- Office of General Counsel \$1,440K
- Data Strategy & IR \$540K

If a quarter of these latter expenses are devoted to System Office Support, the expenditures in this category sum approximately \$2.0 million.

With these realities, the expenditure categories that hold the greatest potential for devolution to the campuses are:

- Human Resources \$2,111K
- Risk Management \$1,014K\*
- Security \$710K
- IT \$7,062K\*
- Controller's Office \$1,935K

\*Amounts after deductions for compensation payments and network services described in item 1 above.

### **C. Functions that could be devolved to campuses**

Assuming these assumptions about necessary system office functions are reasonable, a maximum of about \$15 million is available for reallocation to the campuses, with the majority being in the areas of HR, IT, Controller/business support, and some from General Counsel and Risk Management.

Referring back to Figure 12, it is noted that Finance and IT are two areas in which the UA System is more efficient than peer systems as measured by FTE students per staff members in these categories (more students served per staff member).

The functions that might be considered for devolution include:

1. General Counsel. It is likely that legitimate needs to support the Board and provide necessary services at the System level and would require at least two members of the legal staff. This means that the equivalent of one General Counsel staff member could be reassigned to each of the campuses. It is unlikely that one staff member could meet all

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the needs of any of the campuses, requiring use of the contract services. Net savings are not likely to be achieved.

2. Human Resources. This is one of the areas in which FY19 data suggests that further devolution might be considered. However, steps have recently been taken to centralize this function. A savings of six positions were realized. At this point, it is unlikely that the Board would want to consider a return to a more expensive prior condition.
3. Controller. The area of “finance” is one of the areas in which the UA System (system office plus sum of the campuses) is considerably more efficient than other systems, large or small (see Figure 12). From an economic perspective, the current arrangement is working well. Adequacy of service being provided to the campuses is another consideration, one for which there are no data, and is beyond the scope of this study. Given current levels of performance, it is unlikely that devolution would result in savings.
4. IT. Like the area of finance, IT is an area in which the UA System is more efficient than other systems as indicated by students served per employee (Figure 12). When expenditures made by the system on behalf of campuses are deducted, there remains about \$7 million that could be distributed to campuses to support all systems applications, user services, management of infrastructure and cloud services, etc. Again, adequacy of services to campuses is a consideration beyond the scope of this study. Given current levels of expenditures it is unlikely that economic benefits could be attained by devolution. Further, devolution could easily result in a situation in which the standardized infrastructure necessary to collaborative solutions on behalf of student success would be compromised.

## 7 Conclusions

The analyses documented in this report indicate that

- A. The University of Alaska System, on a per FTE student basis, spends considerably more than most other systems. Part, but not all, of the variation can be explained by cost of living differences.
- B. While UA institutions spend more than peers on administration, the shares spent on administration are lower. Of the money they spend, relatively less is spent on administration.
- C. When expenditures made by the UA System Office on behalf of the institutions are allocated to the universities, system office expenditures are not out of line.
- D. Based on comparisons of students per employee, the greatest variations are in the faculty ranks. While not within the scope of this study, this is the arena in which UA could achieve the greatest savings. Redesign of education delivery models will be an important consideration.
- E. There are very few areas in which devolution of functions might be considered – Controller’s Office and IT being the largest. Some other functions such as Chief Security Officer, Public Affairs, University Relations, Risk Management, and Title IX might also be considered (although Title IX has been designated a Board priority so a system-level office to monitor progress in this area will likely be an on-going requirement). As indicated by the recent reorganization of HR, savings were achieved by centralization, not decentralization. It

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is not likely that substantial savings would be achieved by devolution of any of the candidate functions.

As a final note, it should be pointed out that none of these analyses address the topic of what organizational structure would best meet the needs of Alaska and its citizens—the structure that would best meet the Board Interests as expressed in Figure 1. Under the tenet that form should follow function, an approach that created a design for delivery of university services and then addressed the roles of the System and campuses in that context would be a superior approach.

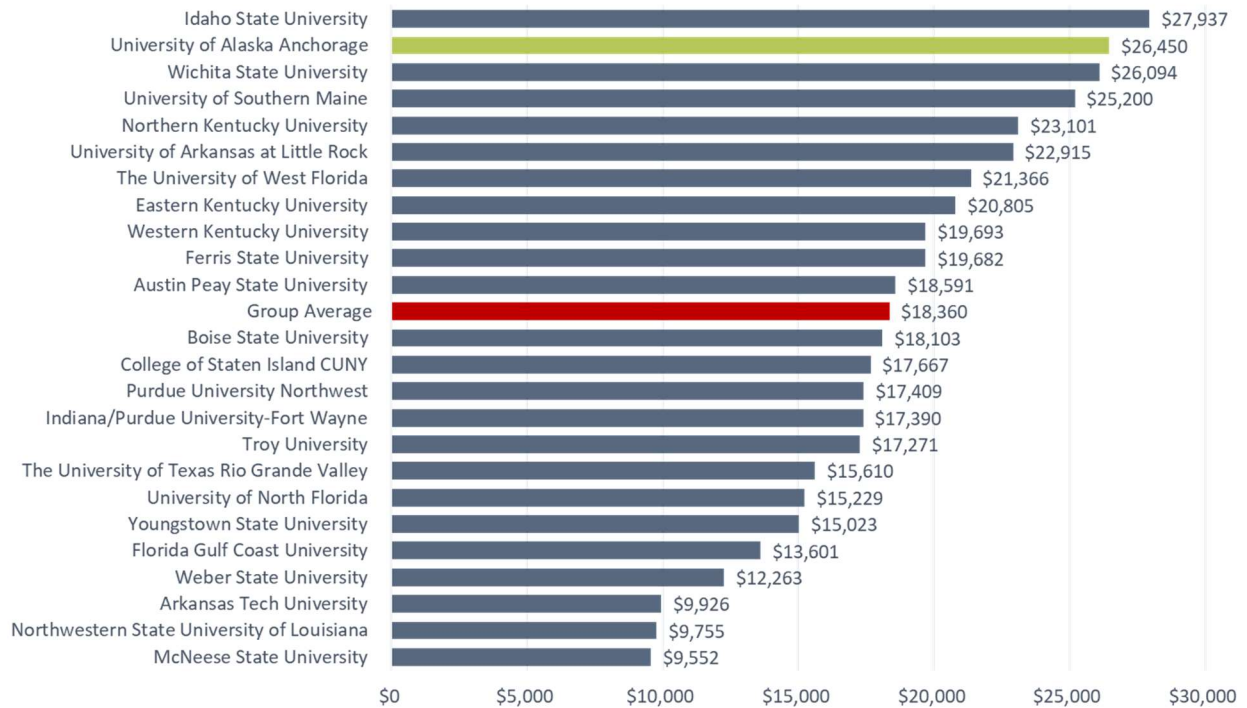
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## **Appendix – Detailed Data**

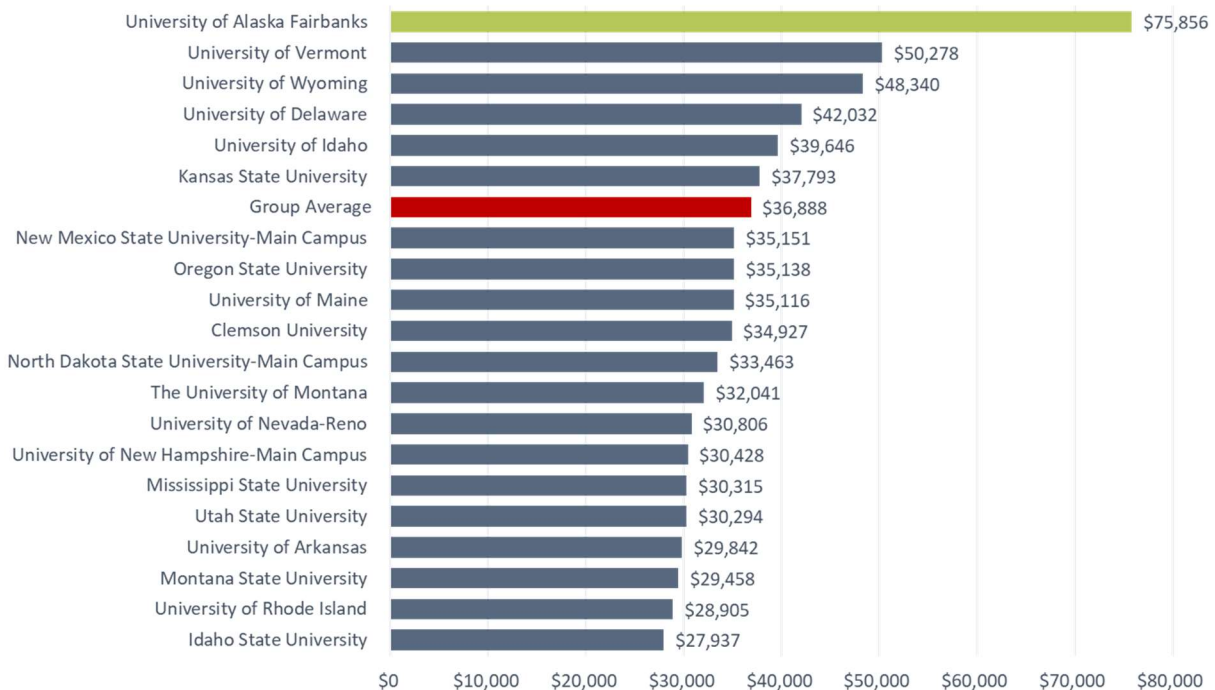
Source: NCHEMS NCES IPEDS Finance Survey, 2017-18



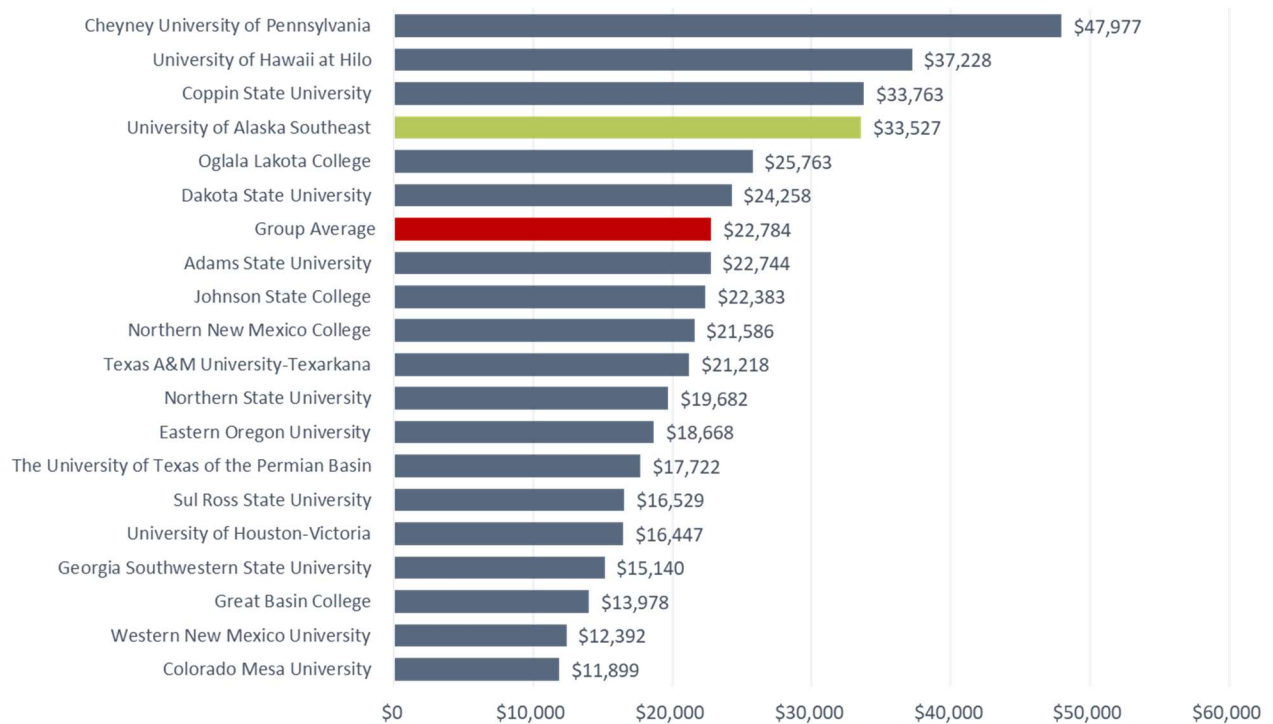
**Figure A1. University of Alaska, Anchorage & Peers,  
Total Abbreviated Expenditures per FTEs, 2017-18**



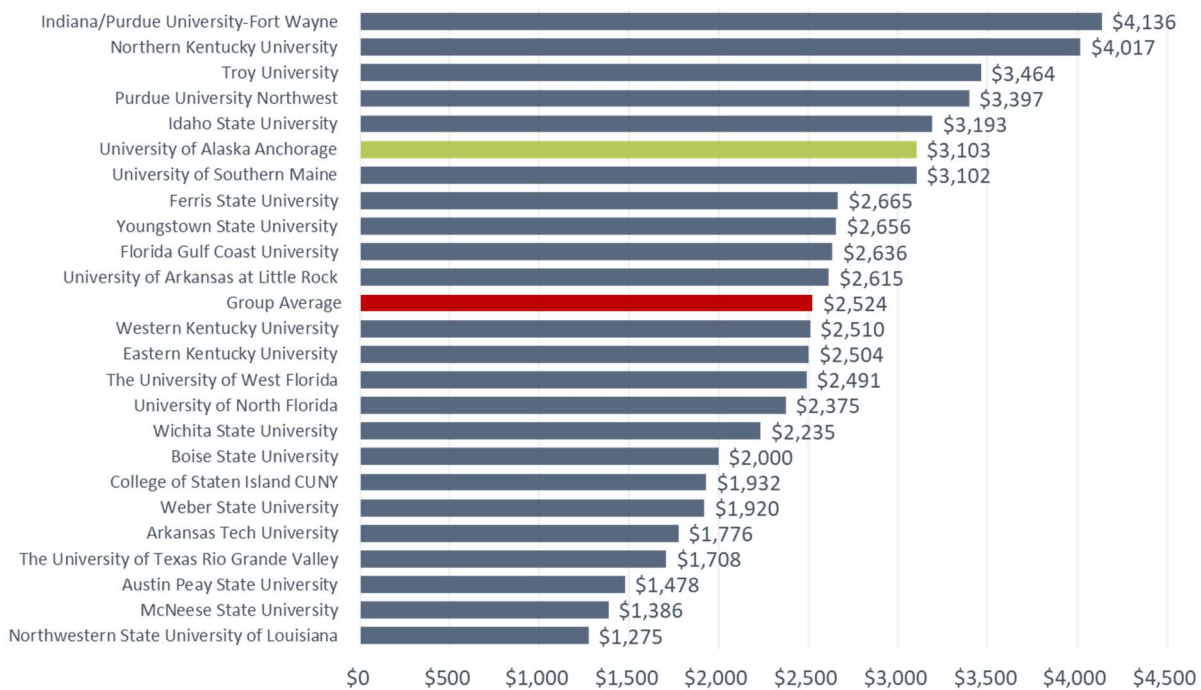
**Figure A2. University of Alaska, Fairbanks & Peers, Total Abbreviated Expenditures per FTEs,  
2017-18**



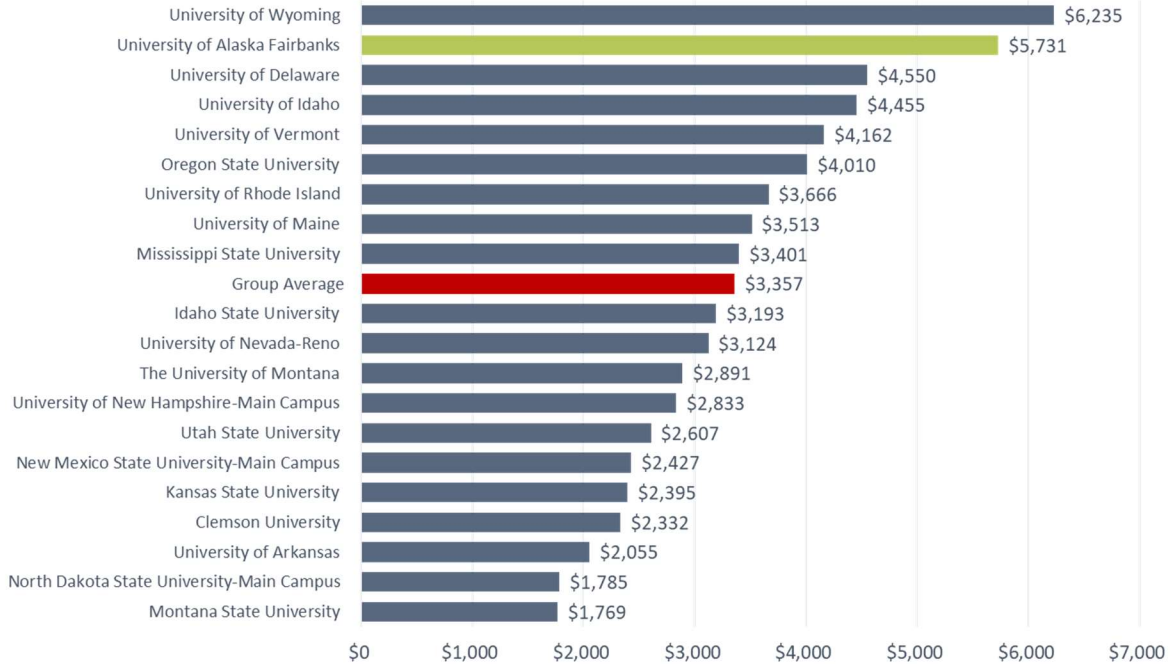
**Figure A3. University of Alaska, Southeast & Peers, Total Abbreviated Expenditures per FTES, 2017-18**



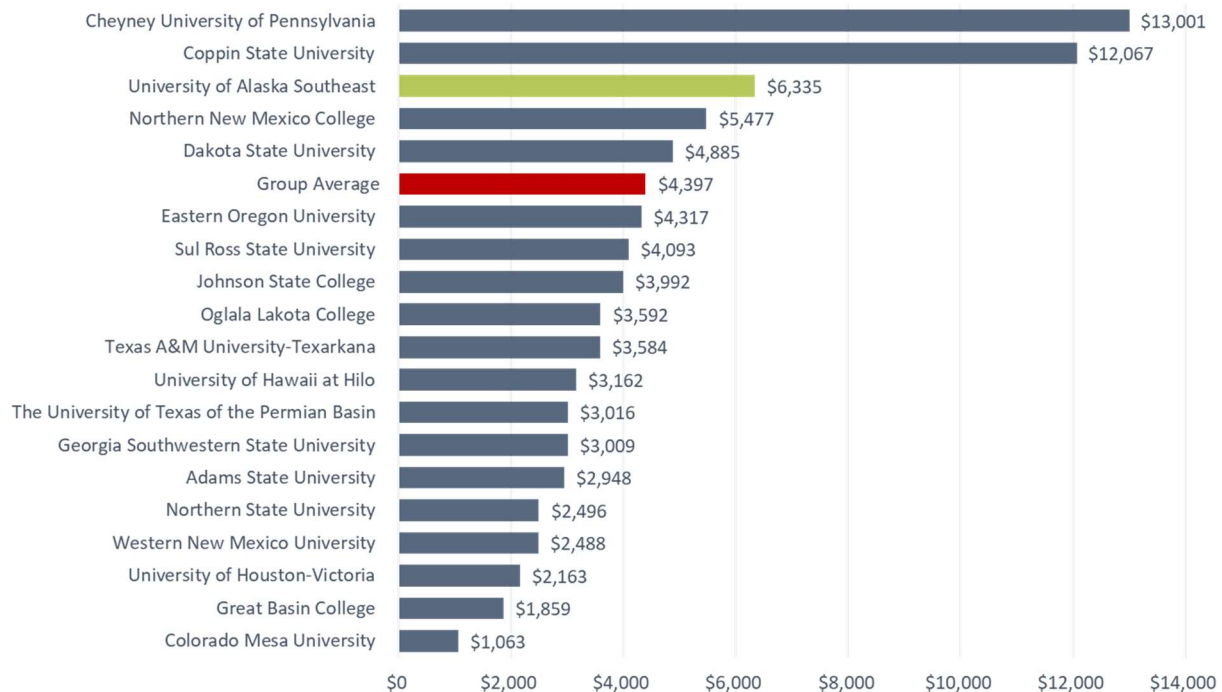
**Figure A4. University of Alaska, Anchorage & Peers, Institutional Support per FTES, 2017-18**



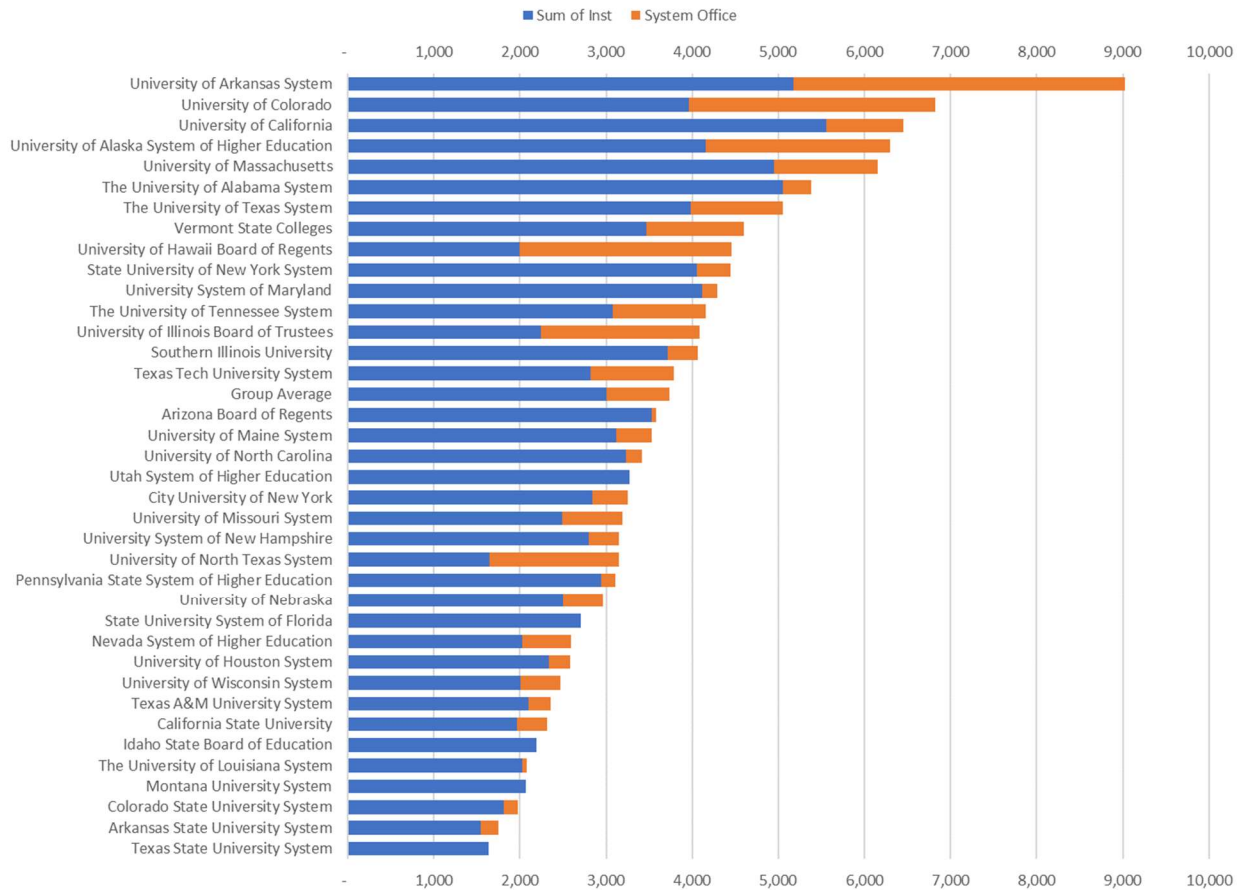
**Figure A5. University of Alaska, Fairbanks & Peers, Institutional Support per FTES, 2017-18**



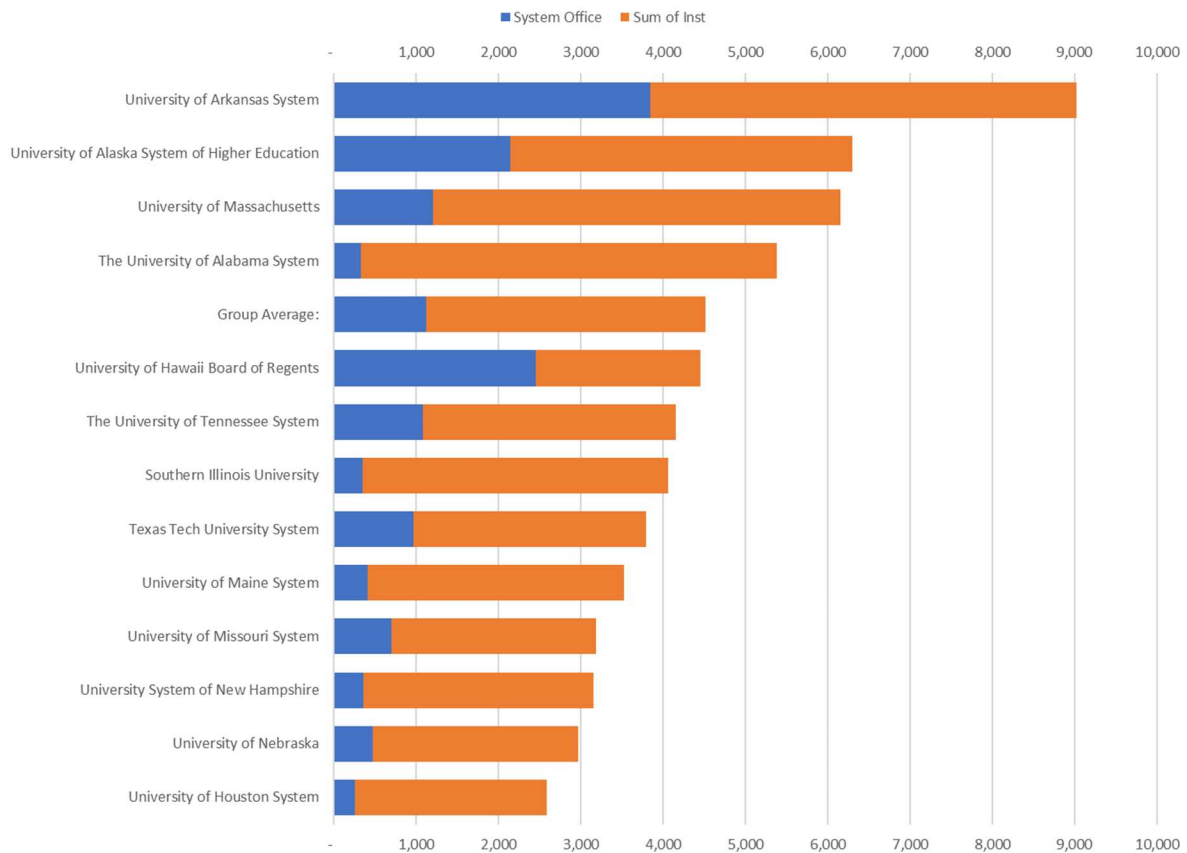
**Figure A6. University of Alaska, Southeast & Peers, Institutional Support per FTES, 2017-18**



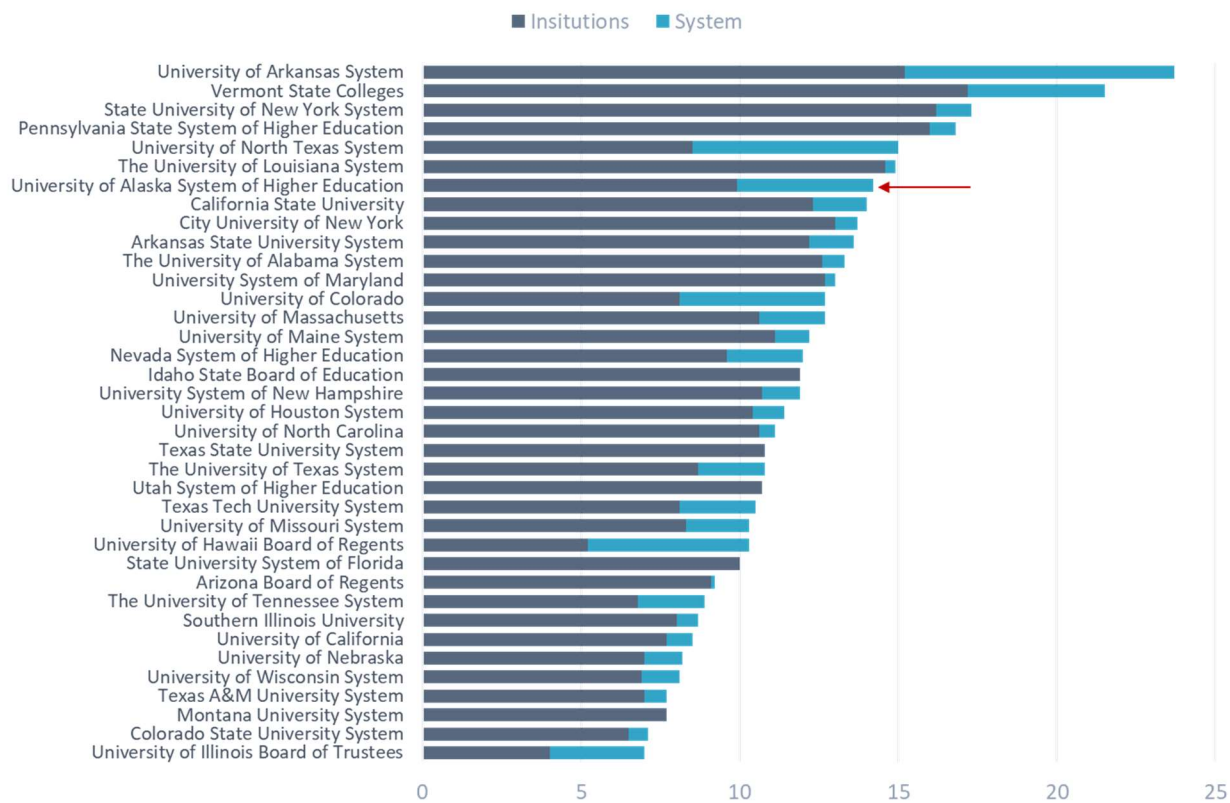
**Figure A7. Expenditures on Institutional Support per FTES (System Office + Sum), 2017-18**



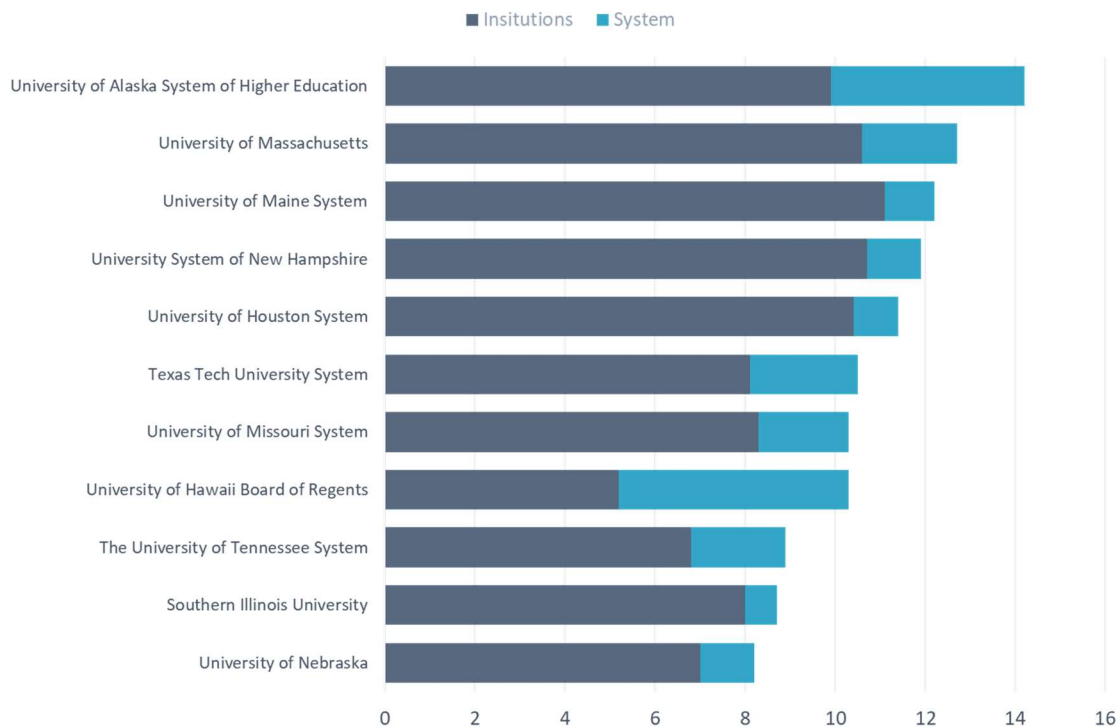
**Figure A8. Expenditures on Institutional Support per FTEs (System Office + Sum), Smaller Systems, 2017-18**



**Figure A9. Institutions & Systems, % of Total Abbreviated Expenditures for Institutional Support**

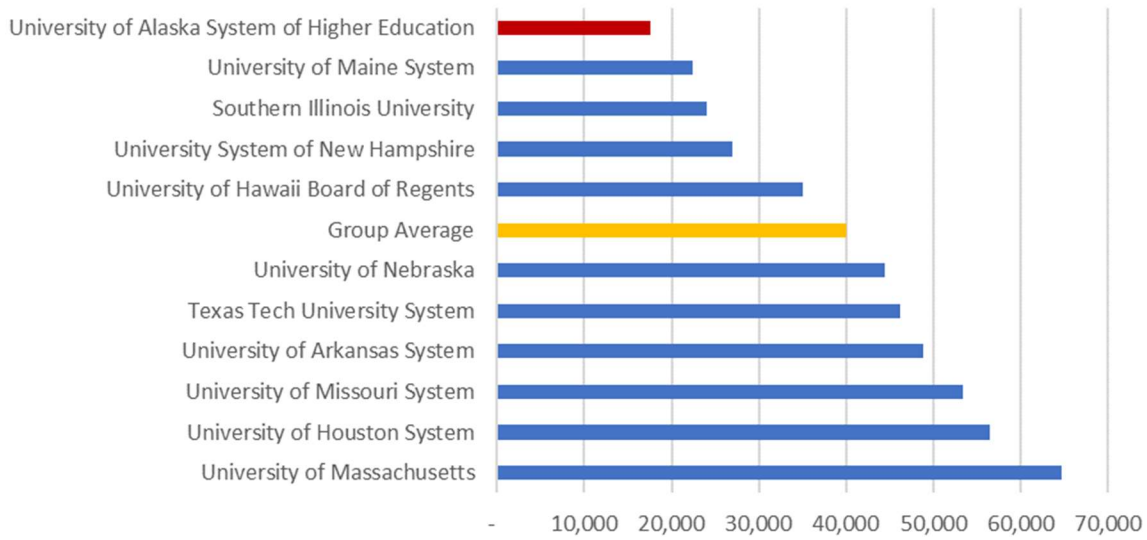


**Figure A10. Institutions & Systems, % of Total Abbreviated Expenditures for Institutional Support**





**Figure A11. FTES, Smaller Systems**



**Figure A12. FTES, All Systems**

