


Board of Regents' Office
Phone: (907) 450-8010
Fax: (907) 450-8012
EMAIL: ua-bor@alaska.edu
www.alaska.edu/bor/



202 Butrovich Building
910 Yukon Drive
P.O. Box 755300
Fairbanks, AK 99775-5300

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TO: Faculty Alliance

FROM: Gloria O'Neill, Chair, University of Alaska Board of Regents


RE: Faculty Alliance Resolution 2017-07 – Statewide System Office

Thank you for transmitting Faculty Alliance resolution “2017-07 Regarding the Statewide System Offices (SW) of the University of Alaska.” The Board of Regents has carefully reviewed the resolution and, although a response is not due until June 22, we have expedited our response because of the importance of the issues raised, and out of respect for the institution of shared governance at UA.

There appear to be significant misunderstandings reflected in the resolution. For example, the resolution overstates total statewide administrative expenditures by more than 200 percent. The resolution states that 199 statewide administrative positions in FY17 “*consume more budget resources than all permanent and contingent faculty salaries and benefits combined.*” Excluding “contingent” faculty, UA has some 1,198 regular faculty, with a salary and benefit cost of \$154.1 million. By comparison, total statewide expenditures, including salaries, benefits, **and expenditures on behalf of the individual universities**, totaled \$53 million in FY16.

In addition, statewide’s \$53 million budget includes over \$8 million in direct costs paid on behalf of the individual universities. This \$8 million is expended for essential services such as insurance premiums, worker’s comp and litigation expenses, internet connections and the Banner enterprise system.

The \$53 million statewide budget also pays for services performed for or on behalf of the 17 individual campuses. These services include IT infrastructure, internal/external audit, union negotiations, tax & financial reporting, debt, treasury, payroll and benefit accounting, claims/risk management, general counsel, government relations, institutional research/reporting, HR policy and benefit functions and land management. These costs and services are expenses that must be paid, whether by statewide or by the universities. While reductions have been and must be pursued in these areas, it is not accurate to say that statewide “consumes” these funds, since that implies no benefit to the educational mission.

The board agrees that reducing and streamlining administrative expenses and operations is always important and is critical now more than ever. The resolution states and implies that administrative operations and expenses at statewide have not been examined or reduced. That is not the case.

The reports cited in the resolution are nine and six years old respectively. statewide functions of Finance, Risk Management, Institutional Research, Information Technology, Human Resources, University Relations, and Land Management have each been the subject of Strategic Pathways review and have changed significantly since those reports were written. Statewide:

- Has 1/3 fewer employees than it did in FY13;
- Expends 37% less state general funds than it did in FY14;
- Has 26% less total expenditures over the same period;
- Non-core functions have been moved to campuses (e.g., Mining & Petroleum Training; K-12 Outreach); and
- Other functions have been combined or eliminated (Procurement, Planning & Budget/University Relations/Public Affairs).

It is also important to note that 43 of the remaining 193 statewide employees are in Land Management, UA Foundation and College Savings. These units are self-funded, and thus their elimination or distribution to campuses would not necessarily decrease costs or increase funding to the universities. These functions are also subject to ongoing review.

It is true that one can always reduce expenditures and eliminate or distribute functions. However, that begs the question of whether the reduction, elimination or distribution facilitates or imperils continued operation, is actually less expensive or more efficient.

Under Alaska's constitution UA is one legal entity, the University of Alaska. By decision of the Board of Regents, that single legal entity includes three separately accredited universities. However, we have one tax ID, we are one employer with one health plan and one set of HR policies and labor agreements, one insured/insurer, one borrower, one contractor, one owner of lands and facilities, with one set of financial books.

We theoretically could split into three legal entities, like the Oregon model, after a constitutional amendment. However, it is unclear how having three governing boards, and three of all the currently shared functions/issues described above, would save money, be more efficient, provide better service, meet the state's needs for higher education in a coordinated manner, or ensure that each university's need are met equally. Nevertheless, given the interest in this issue and the need to rigorously examine all options, the board has invited two national experts on state higher education systems to join us at our June meeting. We encourage those interested in this topic to attend.

In our present legal configuration, some level of centralization of shared services and coordination is required for consistency and efficiency, and to avoid legal liability. Even absent a split into three legal entities, one could of course distribute these essential shared functions among the three universities. But the question remains, would that save money, be more efficient, provide better service, meet the state's needs for higher education in a coordinated manner, or ensure that each university's need are met equally? Again, the board and administration are looking hard at all of these options.

I think we can all agree that this is a time of great stress throughout the UA system. It is apparent that not all services and programs currently offered by UA can continue in this

difficult budget climate. It takes clear eyed vision and determined leadership to develop and implement an inclusive process to pursue vertical cuts, to identify and seek to preserve core services, and to pursue savings and more efficient ways to serve the public, even as jobs are being eliminated and demands on remaining employees increase. The Board of Regents applauds the president's acceptance of this difficult role and encourages your continued engagement with him on behalf of the university.

Such times also require selfless courage and intellectual rigor on the part of the board, administration, governance and individual employees. This is why it is imperative that we understand the data, maintain rigor and due diligence as it relates to the information we are using to construct our conversations and proposed solutions. By maintaining that courage and intellectual honesty, along with good information, our collective commitment will lead us to what's best for UA, and we will continue to build this university into the university Alaska deserves.

Governance has a critical role to play in transforming this university. The board has and continues to invite constructive dialogue with both the administration and the board. I specifically encourage and appreciate all you do to collaborate with administration to address concerns, share information, and develop solutions to our challenges. That's how we at the university—all of us together—will continue the long process of educating and building a great state