

The methodology employed in the analyses documented in this report

- 1) Utilizes the data that are available from the Federal Government (IPEDS) and the University of Alaska. IPEDS is the only available source of data about other institutions and is an indispensable tool for financial analyses in higher education. It does not include being two years out of date or not changes at UA institutions (or any other higher education institutions) are not reflected in the data.
- 2) Recognizes that different systems organize their administrative functions in very different ways. Some centralize such functions in the System Office. Others centralize them at one (or more) of the constituent campuses. Still others devolve all (or some) of these functions to the individual campuses within the system. Determinations in this regard often reflect manner in which the system evolved and the political culture of the system and state government more than cost/benefit analyses.

Given this reality the analyses done for the University of Alaska the costs of each campus, the costs of the System Office, the total costs of the entire System Office plus campuses. The focus of the study was specifically administrative

- a) These calculations were made for UA institutions and for the averages of both of their peer groups. Particular attention was given to the share of total expenditures represented by expenditures on Institutional Support (Administration)
- b) For each category, a ratio of UA institution share relative to group average share was computed. These computations were repeated for both peer groups for each UA institution.
- c) The same calculations were repeated with Research and Public Service expenditures eliminated from the totals.
- d) Interpreting the ratios calculated above: When the ratio is above 100%, the UA institution devotes a greater share of total expenditures to that function than peers. When the ratio is below 100%, UA institution expends a smaller share on that function.

The assessment of institutional expenditures is step one. The second step is to assess expenditures for the system as a whole. The System Office uses those for the three campuses combined. For the purposes of these analyses:

- (1) IPEDS expenditure data for each of the seven functions listed above and the totals, were summed across the three institutions and the System Office. Totals were divided by systemwide total of FTE students to determine Systemwide expenditures per FTE Student by function.
- (2) Similar data for two groups of comparison systems were compiled. The group labeled as the Large Group is composed of all public systems except those systems that include only two-year institutions (such as the Virginia Community College System). The group labeled as the Small Group was selected by NCHEMS from among the smaller systems in the Large Group. The systems included in each of these groups are enumerated in Figures A7 and A8 of the report.
- (3) In each case the data for an expenditure category by the System Office and all of the constituent campuses were added and divided by the total number of FTE students.
- (4) For each comparison group the ratio is divided by the group average.
- (5) These procedures were repeated with Research and Public Service removed from the calculation. The rationale was the same as previously, to focus on expenditures directly and indirectly attributable to Instruction and remove the anomalous results that occur because of the relatively high amount of

(6) As with the campus by campus calculations, of expenditures by function were calculated by dividing expenditures per FTE Student for each function by the total expenditures per FTE Student

(7) To create comparative statistics for shares of expenditures devoted to each functional category, the UA shares were divided by the shares for each of the two comparison groups. This yields a picture of how the UA System utilizes its resources versus patterns in other systems. For those functions in which the UA System spends a smaller share of its resources than comparison systems the

NCHEM focused on systems (System Offices plus the sum of all constituent campuses) and on just the System Offices. The following categories of personnel were included in the analyses:

- 1) Full-time faculty in instruction, research, public service professionals
- 2) Part-time faculty
- 3) Full-time Academic Support
- 4) Full-time Management
- 5) Full-time Finance
- 6) Full-time Computing Professionals
- 7) Full-time Administrative Support

Part-time employees in categories other than faculty were included in the analyses because experience indicates that there are very few such employees in system offices. The analyses involved:

- 1) Compiling data on numbers of employees in each category for each system and System Office for each of the two comparison groups
- 2) Compiling data on FTE Students in each system
- 3) Dividing number of FTE Students by number of employees in each system and System Office for each of the two comparison groups to determine number of FTE Students served per employee in each category.
- 4) Comparing UA values to comparison group averages by UA values by the values for the comparison group yielding a ratio of relative staffing intensity
- 5) In interpreting the results, ratios with values less than 100% that UA has more employees per student than comparison group systems. Ratios of more than 100% indicate conditions in which UA has fewer employees per student than comparison systems.

These expenditures cover direct System Office expenditures for centralized services.

- 2) If these expenditures are not counted as System Office expenditures, the UA System Office expenditures as a share of total System expenditures is slightly below the average System Office shares for the comparison systems. Admittedly, other systems may also have such expenditures, but the percentage of such expenditures is not allowable. Even if other systems have such expenditures, it is reasonable to conclude that the level of UA System Office expenditures is not out of line.
- 3) The expenditures that are made at the System Office can be categorized into:
 - a) Those made for functions that are specific to the System Office: Board of Regents, Internal Audit, State and Federal Relations, University Budget, etc. These are uniformly small offices, most are smaller than they were 5-7 years ago.
 - b) Those made for centralized services that the entirety of the System Office and all of the constituent campuses are fewer in number but substantially larger in staff and expenditures. There are three functions that fall into this second category: Finance/Accounting, HR, and Statewide Networks.
- 4) These three functions employ almost 3/4 of the System Office employees out of the 202 employee count in 2020. If there are any meaningful cuts in System Office expenditures, they will have to be made in one or more of these three functions.

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The final step in the process was to review the results of these analyses and draw a set of conclusions. In summary, the conclusions are that:

- 1) Expenditures per FTE student at UA are high in comparison to comparison groups
 - a) Each of the constituent campuses
 - b) The System Office

- c) The UA System Office bears a higher share of total system administrative costs than is true for the average of other systems
 - d) These data reflect choices that have centralized some functions leading to lower campus expenditures higher System Office expenditures.
- 4) Staffing comparisons with other systems indicate that
- a) Has more faculty both full and part-time per FTE Student. As with administrative staff this can be partially explained by the fact that UA institutions are comparatively small for the breadth of their offerings
 - b) Has fewer academic support staff
 - c) Has more management staff. The fact that the difference is much smaller in larger systems suggests that this is largely attributable to the very small size of the UA System. Systems have one President/Chancellor whether the system enrolls 17,000 students or 400,000.
 - d) Has fewer finance and IT staff
 - e) Has more administrative support staff.
- 5) A review of internal UA data reveals that:
- a) One-third of the expenses attributed to the System Office are expenses made on behalf of the campuses. Removal of this amount would put the UA System very much in line with other systems.
 - b) The core System Office functions (President, Board support, Internal Audit, etc.) are leanly staffed. There are very few, further savings to be won out of these functions.
 - c) The major expenditures in the System Office are made in support of three functions: Finance, Accounting, HR and IT. HR has recently been centralized resulting in cost savings of approximately \$0.5 million. The other two areas are ones in which UA has made substantial cuts in recent years. Further, they are areas in which UA to be staffed more efficiently than other systems. It is highly unlikely that cost savings can be realized by devolving these functions to the campuses.

The bottom line is that there is little to be gained by turning to the System Office as a source of substantial amounts of money that can be reallocated to instructional and other purposes.